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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1936

No. 647

FIRST BANK STOCK CORPORATION, APPELLANT,

vs.

STATE OF MINNESOTA

APPEAL FROM THE SUPREME COURT OF THE STATE OF MINNESOTA

FILED JANUARY 12, 1937.

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State of Minnesota.

In Supreme Court.

1935.

STATE OF MINNESOTA, DISTRICT COURT,
County of Hennepin. Fourth Judicial District.

IN THE MATTER OF THE PROCEEDINGS TO ENFORCE DELINQUENT MONEYS AND CREDITS TAXES FOR 1934.

STATE OF MINNESOTA,

Plaintiff,

vs.

FIRST BANK STOCK CORPORATION,

Defendant.

ANSWER.

Comes now First Bank Stock Corporation and for its answer in the above matter, alleges:

I.

First Bank Stock Corporation is a corporation organized under the laws of the State of Delaware, the principal place of business of which is Wilmington, Delaware, and at all times here material was and is domiciled in the State of Delaware and

not elsewhere. It was, during all of the times herein alleged, and now is, duly qualified to do business in Minnesota.

II.

On May 1, 1934, First Bank Corporation owned all of the shares (hereinafter referred to as state bank shares), except directors' qualifying shares, of the capital stock of certain state banking corporations organized and incorporated under the laws of Montana and North Dakota, to-wit:

Powder River County Bank, Broadus, Montana.
Metals Bank & Trust Company, Butte, Montana.
Chouteau County Bank, Fort Benton, Montana.
Forsyth State Bank, Forsyth, Montana.
Montana State Bank, Philipsburgh, Montana.
The First State Bank, Shelby, Montana.
The Northwestern Bank of Langdon, Langdon, N. D.
Benson County State Bank, Minnewaukan, N. D.

The property of said banks was not assessed or taxed in Minnesota for 1934 and none of said banks owned property situated therein in said year. Certificates representing the shares of the state banks were held by defendant for safekeeping during 1934 and on May 1, 1934, at its office in the city of Minneapolis, Hennepin County, Minnesota. The true and full value on May 1, 1934, of the state bank shares was one million twenty-seven thousand ninety-five and 95/100 dollars ($1,027,095.95).

III.

Pursuant to Sections 2337 to 2349, both inclu-

sive, Mason's Minnesota Statutes, 1927, and on or about June 8, 1934, defendant duly filed with the city assessor of Minneapolis, Hennepin County, Minnesota, a list of its money and credits owned by it on May 1, 1934, showing therein an aggregate amount of taxable money and credits of two million forty thousand six hundred thirty-four and 05/100 dollars ($2,040,634.05). Thereafter and on or about August 3, 1934, said city assessor arbitrarily increased the amount of defendant's taxable money and credits aforesaid by adding thereto the true and full value aforesaid of said state bank shares. Assuming to act, as defendant is informed and believes and therefore alleges the fact to be, under and pursuant to said Sections 2337 to 2349, Mason's Minnesota Statutes, 1927, said city assessor thereby and thereafter threatened to subject said state bank shares to the annual tax of three (3) mills on each dollar of the true and full value thereof imposed by said Section 2337, Mason's Minnesota Statutes, 1927. Thereafter, a tax computed under said Section 2337 of nine thousand two hundred three and 19/100 dollars ($9,203.19) was levied and assessed against defendant, of which three thousand eighty-one and 29/100 dollars ($3,081.29) was on the true and full value aforesaid of said state bank shares and for and on account of the ownership thereof by defendant on May 1, 1934. Said tax of nine thousand two hundred three and 19/100 dollars ($9,203.19) has not been paid and became delinquent on March 1, 1935, and is now delinquent.

IV.

10 Said state bank shares were duly assessed and taxed for 1934, the shares of Montana banks being assessed and taxed in Montana and the shares of North Dakota banks being assessed and taxed in North Dakota, pursuant to statute there. The taxes in respect of said shares levied and assessed in Montana and North Dakota have been paid.

V.

By Chapter 64, Laws of Montana, 1927, it is provided as follows:

11 "Chapter 64.

"An Act to Amend Section 2067 of the Revised Codes of Montana of 1921, Relating to the Assessment and Taxation of State Banks, Banking Corporations and Private Bankers and of Shares of Stock in such State Banks or Banking Corporations and Providing for the Furnishing of Certain Information to County Officials by Bank Officials.

12 "Be it enacted by the Legislative Assembly of the State of Montana:

"Section 1. That Section 2067 of the Revised Codes of Montana of 1921, be, and the same is hereby amended so as to read as follows:

" 'Section 2067. Every State bank or banking corporation located and doing business in this State, and every private banker doing business in this State, shall be taxable upon the value of all real estate and personal prop-

erty owned by such bank, banking corporation or private banker, and also upon the 13
moneyed capital employed in such business, such moneyed capital to be ascertained as provided by Section 1999 of the Revised Codes of Montana of 1921, and the cashier or secretary of every such bank or banking corporation, and every such private banker, shall furnish to the assessor of the county in which its or his bank is located, within five days after demand therefor, a statement verified by his oath, showing all the resources and liabilities 14
of such bank as disclosed by its books, at twelve o'clock noon on the first Monday of March in each year; if such cashier, secretary or private banker shall fail to make the statement hereby required, the assessor shall forthwith obtain such information from any other available source, and for this purpose he shall have access to the books of such bank, banking corporation or private banker. The assessor shall thereupon make an assessment of the 15
real estate and personal property owned by such bank, banking corporation or private banker, and of the moneyed capital employed in the business of such bank, banking corporation or private banker, which assessment shall be as fair and equitable as he may be able to make from the best information available, or said assessor may, for the purpose of said assessments, adopt the figures disclosed by any prior report made by such bank, banking cor-

poration or private banker to any State or
16 Federal officer pursuant to any State or Federal law. Any person required by this section to make the statement hereinabove provided, who shall fail to furnish the same, shall be guilty of a misdemeanor and shall be punished accordingly.

"All shares of stock in any such bank or banking corporation shall be assessed at their full cash value, except to the extent that that value is represented in property which is
17 assessable and taxable to such bank or banking corporation in this State, and shall be taxable to the owners of such shares in the county, school district, city, town, or placed where such bank or banking corporation is located and not elsewhere, whether or not the owners of such shares are residents of such county, school district, city, town or place. The cashier or secretary of any such bank or banking corporation shall furnish to the assessor, upon
18 his demand therefor, the name of each stockholder with his residence and the number of shares belonging to him at twelve o'clock noon of the first Monday in March of each year; and if such cashier or secretary, for more than five days after such demand, shall fail to furnish such information, he shall be guilty of a misdemeanor and the assessor may obtain such information from any other available source, and for such purposes shall have access to the books of such bank or banking corporation.

For convenience the assessment of such shares shall be entered on the personal property assessment list under the name of the bank or banking corporation concerned, but in the assessment list the names of the owners of such shares shall be set forth and the number of shares owned by each, and such assessment, when so entered, shall have all the force and effect as if made in the names of the owners of such shares individually. The bank or banking corporation in which such shares are owned shall be liable for the payment of taxes assessed against such shares, and such taxes shall be payable by and may be collected from such bank or banking corporation in the same manner and under the same penalties as other taxes; provided that such bank or banking corporation may recover from such owners of shares any taxes so paid on such shares, and shall have a lien therefor upon such shares and upon any dividends accrued or to accrue thereon.'

"Section 2. This Act shall be in full force and effect from and after March 1, 1927.

Approved March 8, 1927."

By Section 2115, Supplement to the 1913 Compiled Laws of North Dakota, it is provided as follows:

"Sec. 2115. (1) Bank and trust company stock; where and at what valuation to be listed. The shares of stock of every bank and of every loan and trust company located in this

state whether organized under the laws of this state or the United States or of any other state or country shall be assessed to the individual stockholders or owners thereof at the place where the bank or loan and trust company is located and not elsewhere. Such shares shall be listed and assessed to the owner thereof with reference to their value on the first day of April of each year and shall be taxed at the same rate as other property in the same taxing district is taxed.

"(2) Determination of the value of shares of capital stock. On or before the first day of May in each year, the officers of each bank or loan and trust company located in this state shall file a statement with the state tax commissioner and with the county auditor of the county where located, verified by oath, showing the amount and number of shares of capital stock of such bank, loan and trust company, the names and residences of the several stockholders and the amount owned by each; the amount of the corporation's surplus or reserve fund and undivided profits as of April 1st preceding. The value of each share of stock in each bank, loan and trust company, except such as are in liquidation, shall be taken to be the par value thereof, together with its pro rata share of the accumulated surplus and undivided profits. The value of each share of stock in each bank which is in liquidation, shall be taken to be its pro rata

share of the actual value of the assets of such bank, or loan and trust company.

"(3) Deduction of real estate and personal property to arrive at taxable value of shares of stock. Real estate owned by any bank or loan and trust company shall be assessed and taxed as other real estate is under this article. Personal property of any bank, loan and trust company, except furniture, fixtures and equipment, shall be returned in the name of the bank or trust company, and shall be assessed and taxed as other personal property is under this article. In determining the taxable value of the shares of stock of such corporation, the tax commissioner shall deduct the net amount of such corporation's investment in real estate and the net amount of its investment in taxed personal property from the aggregate amount of the capital stock, surplus and undivided profits, and the remainder shall be taken as the basis for valuation of such shares of stock in the hands of the stockholders subject to the provisions of law requiring all property to be assessed at its true and full value, or such other provision of law as may be enacted at this or subsequent sessions of the legislature classifying such property for assessment purposes.

"To determine the amount which shall be considered as being invested in real estate, the tax commissioner shall deduct from the total of such investment the amount of investments in real estate where the bank or loan and trust

company has sold the real estate under contract whereby the purchaser agrees to pay the taxes assessed against such property.

"(4) Computation of value. The tax commissioner shall compute the total net taxable value of the capital stock of each bank or loan and trust company and shall assess such shares of capital stock and shall on or before the first business day in July of each year certify such assessment to the county auditor of the county where such bank or loan and trust company is located.

"(5) Computation of net taxable value. The county auditor shall compute the net taxable value of each share of stock in any bank or loan and trust company and shall multiply such value by the number of shares held by each individual stockholder and enter such assessment against the individual stockholder; provided that any solvent bank or loan and trust company may, upon written request of its cashier or other officer, have the amount of the assessment herein provided for against its stockholders assessed against the bank or loan and trust company in its corporate name and the taxes thereon may be paid as other expenses of the bank or loan and trust company are paid. The shares of capital stock in banks or loan and trust companies, not located in this state, but owned in this state, shall not be required to be listed under this article.

"(6) Assessing all moneyed capital. All moneyed capital within the meaning of section fifty-two hundred nineteen (5219) of the Revised Statutes of the United States shall be listed and assessed against the owner thereof at his place of business, and if a corporation at its principal place of business, at the same rate as state, national bank, loan and trust company stock is taxed in the same taxing district, and at the actual value of the moneyed capital so invested or at such percentage of actual value as may be provided by law for assessment of bank, loan or trust company stock with similar deductions for investments in real estate and taxed personal property as are allowed by this act in arriving at the net taxable value of bank stock. The person or corporation using moneyed capital in competition with bank capital shall furnish the assessor upon demand a full and complete itemized, sworn statement showing the amount of moneyed capital so used.

"(7) Refusal to furnish list of stockholders; penalty. A refusal to furnish the tax commissioner or the county auditor with the list of stockholders and the information required under this act shall be deemed a misdemeanor and any bank or loan and trust company or any officer thereof so refusing shall be punished by a fine not exceeding five hundred dollars."

By Sections 2116 and 2117, Compiled Laws of

North Dakota, 1913, it is provided as follows:

"Sec. 2116. Bank to keep and furnish list of stockholders. In every bank and banking office there shall be kept at all times a full and correct list of the names and residences of the stockholders, owners or parties interested therein, showing the number of shares and amount held, owned or controlled by each party in interest, which statement or list shall be subject to the inspection of the officer authorized to assess property for taxation; and it shall be the duty of the accounting officer or cashier of each bank or banking institution to furnish the assessor with a duplicate copy of such statement, verified by oath, which shall be returned to the county auditor and filed in his office.

"Sec. 2117. Taxes on bank stock to be a lien on dividends. To secure the payment of taxes on bank stock or banking capital, it shall be the duty of every bank, or managing officer or officers thereof, to retain so much of any dividend or dividends belonging to such stockholders or owners as shall be necessary to pay any taxes levied upon their shares of stock or interest, respectively, and the amount of such taxes shall be a lien on the dividends, the capital stock and the assets of the bank, and until it shall be made to appear to the county treasurer or to such bank or its officers that such taxes have been paid, any officer, or any such bank who shall pay over or authorize

the paying over of any such dividend or a portion thereof, contrary to the provisions of this section, shall thereby become liable for such tax; and if the said tax shall not be paid, the county treasurer where said bank is located shall sell such shares or interest to pay the same, like other personal property; and in case of sale the provisions of law in regard to the transfer of stock when sold on execution shall apply to such sale." 37

That since the passage and approval of said laws and during all of 1934 the same have been and now are in full force in said states. 38

VI.

First Bank Stock Corporation was organized to acquire all or part of the shares of national and state banking corporations in the Ninth Federal Reserve District and to own and hold them as investments. It acquired said state bank shares pursuant to said purpose. It continuously held them as an investment and not otherwise. It never employed said state bank shares in any business transaction in Minnesota. It never traded in said shares. It did not engage in the management of said state banks. It never intended and did not intend during 1934 that said state bank shares should acquire a situs in Minnesota. Said state bank shares never acquired a situs in Minnesota, and on May 1, 1934, did not have a situs in Minnesota. 39

VII.

Sections 2337 to 2349, both inclusive, Mason's Minnesota Statutes, 1927, if they impose a tax on defendant in respect of its ownership on May 1, 1934, of said state bank shares, impose a tax on the property of defendant situated without the State of Minnesota and are void because taking defendant's property without due process of law in violation of Article I, Section 7 of the Constitution of Minnesota and the Fourteenth Amendment to the Constitution of the United States, because denying to defendant the equal protection of the laws in violation of the Fourteenth Amendment to the Constitution of the United States, and because imposing a tax which is not uniform upon the same class of subjects in violation of Article IX, Section 1, of the Constitution of Minnesota.

Wherefore, defendant prays judgment that the tax in the amount of nine thousand two hundred three and 19/100 dollars ($9,203.19), levied, assessed, and extended against defendant as its money and credits tax liability for the year 1934 be abated in the amount of three thousand eighty-one and 29/100 dollars ($3,081.29) and that all interest, penalties and costs be abated, and the defendant recover its costs and disbursements herein.

JUNELL, DRISCOLL, FLETCHER,
DORSEY & BARKER,
Attorneys for Defendant,
1300 First National-Soo Line Building,
Minneapolis, Minnesota.

(Duly Verified.)

(Title of Cause.)

43

STIPULATION CONCERNING FACTS.

For the purpose of expediting the trial of the above entitled action, the parties hereto by their respective attorneys do hereby stipulate as follows:

I.

The facts hereinafter in this stipulation set forth are true and correct and this stipulation may be offered and received in evidence as proof of such facts, subject, however, to the objection of either party hereto to the admission in evidence of any 44
or all of such facts on the ground that the same are immaterial or irrelevant, but objection shall not be made to any of said facts on any other ground. Either party hereto may offer such evidence as it may deem advisable in addition to said facts so stipulated.

II.

Said facts hereby stipulated are as follows:

1. Defendant is a corporation organized and existing under the laws of the State of Delaware 45
and was, during all of the times herein mentioned, and now is, duly qualified to transact business in the State of Minnesota.

2. The allegations of paragraphs II and V of the defendant's answer in the above entitled action are true and correct.

3. Pursuant to Sections 2337 to 2379, both inclusive, Mason's Minnesota Statutes, 1927, and on or about June 8, 1934, defendant duly file th

46 the city assessor of Minneapolis, Hennepin County, Minnesota, a list of its moneys and credits owned by it on May 1, 1934, a copy of which is attached hereto and marked Exhibit A and hereby made a part hereof. Said return showed an aggregate amount of taxable money and credits of two million forty thousand six hundred thirty-four and 05/100 dollars ($2,040,634.05), which did not include the value of the state bank shares. Thereafter, and on or about August 3, 1934, said city assessor, without the consent of defendant, in-
47 creased the amount of defendant's taxable money and credits aforesaid by adding thereto the true and full value aforesaid of said state bank shares. Assuming to act under and pursuant to said Sections 2337 to 2349, said city assessor thereby and thereafter threatened to subject the defendant on account of the ownership of said state bank shares to the annual tax of three (3) mills on each dollar of the true and full value thereof imposed by said Section 2337. Thereafter, a tax computed under
48 said Section 2337 of nine thousand two hundred three and 19/100 dollars ($9,203.19) was levied and assessed against defendant, of which three thousand eighty-one and 29/100 dollars ($3,081.29) was on the true and full value aforesaid of said state bank shares and for and on account of the ownership thereof by defendant on May 1, 1934. Said tax of nine thousand two hundred three and 19/100 dollars ($9,203.19) has not been paid and became delinquent on March 1, 1935, and is now delinquent.

4. Said state bank shares were assessed and taxed for the year 1934, the shares of Montana banks being assessed and taxed in Montana and the shares of North Dakota banks being assessed and taxed in North Dakota pursuant to statutes of said states. The taxes in respect of said shares levied and assessed in Montana and North Dakota have been paid and the amount of such taxes with reference to each of said state banks are as follows: 49

Name of Bank	Amount of Tax Assessed and Paid
Powder River County Bank, Broadus, Montana	$ 683.90
Metals Bank & Trust Company, Butte, Montana	25,432.07
Chouteau County Bank, Fort Benton, Montana	1,917.82
Forsyth State Bank, Forsyth, Montana	710.17
Montana State Bank, Philipsburgh, Montana	811.12
The First State Bank, Shelby, Montana	1,192.58
The Northwestern Bank of Langdon, Langdon, N. D.	159.72
Benson County State Bank, Minnewaukan, N. D.	309.30

50

51

The defendant received no dividends during the year 1934 upon the stocks of any of the above named banks.

5. The laws of the states named in Exhibits B and C, attached hereto and hereby made a part

52 hereof, respecting the ad valorem taxation of shares of state banks, are as summarily set forth therein.

6. (a) In April, 1929, the First National Bank in Minneapolis and the First National Bank of St. Paul caused a corporation to be organized under the laws of the State of Delaware with the name of First Bank Stock Investment Company, which obtained a license to transact business in Minnesota on April 19, 1929. Stock of this corporation was issued in equal portions to and owned by First
53 Minneapolis Company and First Saint Paul Company, the stock of each of which latter corporations was owned by trustees for the benefit of the persons who were stockholders in said banks, respectively. First Bank Stock Investment Company during the summer of 1929 acquired for cash a majority of the stock of some seventeen national and state banks located in the Ninth Federal Reserve District. In August, 1929, the corporate name of the corporation was changed to First Bank Stock Corporation and it made an offer of its stock to
54 the stockholders of the First National Bank in Minneapolis, the First National Bank of St. Paul, Metals Bank & Trust Company of Butte, Montana, First National Bank of Great Falls, Montana, and Western National Bank, Missoula, Montana, in exchange for the stock of said banks held by them, which offer was accepted and the exchange consummated on October 31, 1929.

(b) In June, 1929, First Bank Stock Ipvestment Company established an executive office in the

First National-Soo Line Building, Minneapolis, 55
Minnesota, and such executive office has been continued in said building to the present time. In June, 1929, the Investment Company purchased furniture and fixtures and suitable equipment for its office which remained the property of said corporation until January 26, 1932, as of which date said furniture and fixtures and equipment was transferred to First Service Corporation, hereinafter mentioned, and during said period of time First Bank Stock Corporation paid rent for the space occupied by its executive office. During the 56
fall of 1929 and the year 1930, defendant acquired the stock of approximately one hundred ten (110) banks, trust companies, and other financial institutions, all located in the Ninth Federal Reserve District, and in the year 1931 the stock of seventeen (17) banks was acquired. Since 1931 the defendant has not acquired stock in any additional banks. Negotiations for the acquisition of such stocks were carried on in the State of Minnesota and elsewhere and examinations of all such banks 57
were made by or on behalf of First Bank Stock Corporation. The stocks of such banks and other institutions were acquired in one of two ways, either (1) for cash or by exchange of shares of First Bank Stock Corporation for such shares, or (2) in a number of instances by the organization of a new banking institution which assumed the liabilities and took over the assets of existing banks, and in a few instances by the organization of a new bank which had no connection with any exist-

58 ing banking institution. In a majority of such instances, all of the stock of such banks or financial institutions was acquired, but in some instances the shares acquired were less than all of the outstanding stocks. Upon acquiring shares in such banks, First Bank Stock Corporation in most instances sold qualifying shares to directors and entered into option agreements with such directors, pursuant to which defendant had the option at any time to repurchase such shares at cost and the director likewise had the option at any time to
59 require defendant to repurchase from him such qualifying shares at the cost thereof to him.

(c) About the beginning of the year 1930, the defendant found that, in order to preserve the value of its interest in the stock of such banks and institutions, it would be necessary for it to organize a department for the examination of such banks and for the giving of advice to such banks in respect to their operations. This was accordingly done and since such time and until December 31, 1931, First
60 Bank Stock Corporation by its employes periodically examined and audited the banks in which it held stock, received reports of the operations of such banks, and advised such banks with reference to accounting practices, the making of loans, the purchase of securities and commercial paper, and at times furnished them with advertising material, and in a number of instances acted as the agent of such banks in the purchase and sale of securities and commercial paper.

(d) At all times to and including the present time, all meetings of stockholders, directors, and of the executive committee of the board of directors of the defendant have been held in Minneapolis or St. Paul, Minnesota. At all times material the policies of defendant were formulated and its activities directed by its board of directors pursuant to the powers with which it is invested by defendant's charter granted by the State of Delaware. Defendant's corporate seal was at all times material kept in its Minneapolis office. 61

(e) Shortly prior to January 1, 1932, the defendant caused to be organized under the laws of Minnesota a corporation with the name of First Service Corporation, all of the stock of which was and is owned by the defendant, and on January 1, 1932, the defendant entered into a contract with First Service Corporation in the form attached hereto, marked Exhibit D, and hereby made a part hereof, and since said date said contract has been continuously in effect. At the same time First Service Corporation entered into contracts with the various banks in which First Bank Stock Corporation owned stock (except one bank in which the defendant does not own a majority of the stock), and such contracts have been continuously in force ever since. Such contracts were in the form attached hereto, marked Exhibit E, and hereby made a part hereof. At all times material the principal office of First Service Corporation has been in Minneapolis, Minnesota. After January 1, 1932, all of the matters above set forth in subparagraph 62 63

64 6 (c) hereof have been done and performed by First Service Corporation, and since January 1, 1932, the only activities of the defendant have been the holding of meetings of stockholders, directors and executive committee, the receipt of interest and dividends, the disbursement of dividends to its own stockholders, the making of recommendations to member banks with reference to the payment of dividends, and the giving of proxies to vote the stock owned by the defendant at stockholders' meetings of member banks. Due to con-
65 solidations and eliminations, the number of banks in which the defendant holds stock at the present time has been reduced to eighty-four (84), including one trust company, which, as above stated, are all located in the States of Montana, North Dakota, South Dakota, Minnesota and Michigan, and within the Ninth Federal Reserve District. Approximately forty-three (43) of such banks are located in Minnesota.

(f) At the present time the defendant owns
66 certain notes receivable, all of which were obtained by it in connection with the acquisition of stocks owned by it or were purchased from banks in which defendant held stock. Defendant owns and holds certificates of deposit issued by certain member banks and as required by the Banking Act of 1933, holds certain United States Government and other bonds. The defendant holds cash which is on deposit in its accounts in two Minnesota banks and owns certain real estate which it obtained by reason of the liquidation of banks in which it formerly

held stock. The defendant at the present time owns 67
the stock of only two non-banking corporations, viz., First Service Corporation, above mentioned, and First Minneapolis Company, a Minnesota corporation, whose principal activity is the liquidation of real estate acquired and later charged off by First National Bank in Minneapolis. First Minneapolis Company is also engaged, however, in the servicing of real estate held by member banks in trust for others, and in some instances for the servicing of real estate held by individuals.

(g) At the present time, and since January 1, 68
1932, the defendant does not owe any money and it does not buy and sell securities except in connection with the investment of its own funds. None of the stock owned by defendant has ever been pledged or hypothecated in any manner. Since May, 1934, defendant has sold to persons in no way connected with the defendant all of the capital stock of First State Bank of Shelby, Montana. The defendant does not and has not at any time engaged in the business of trading in securities. 69

(h) At the present time the defendant pays no rent and owns no furniture or fixtures or tangible assets of any character except real estate taken as above described upon the liquidation of member banks. The furniture and fixtures in the office now occupied by the defendant are owned by First Service Corporation and it pays the rent for such office.

(i) In 1931 and thereafter the defendant

70 contributed approximately eight million dollars ($8,000,000) to the capital of its various member banks.

(j) The defendant keeps a complete set of books in which it records all of its transactions which are entirely separate from the books of any other corporation and which are kept at its office in Minneapolis, Minnesota. Banks in Minneapolis and St. Paul, Minnesota, act as the transfer agent and registrar of the stock of the defendant and checks in payment of dividends to the stockholders of
71 the defendant are prepared by such banks and are mailed to the stockholders by the defendant. Such dividends on the stock of the defendant during the past year have been paid semi-annually and prior to said time were payable quarterly.

(k) The books of account of the defendant are kept by employes of First Service Corporation. The defendant since January 1, 1932, has had no employes other than its officers and the total annual salaries paid to its officers does not exceed twelve
72 thousand dollars ($12,000). Compensation to First Service Corporation for its accounting and other minor services is included in the compensation paid by the defendant to First Service Corporation pursuant to Exhibit D.

(l) Attached hereto and marked Exhibit F and hereby made a part hereof is an extract from the certificate of incorporation of First Service Corporation.

Since January 1, 1932, the following activities

have been conducted by First Service Corporation alone pursuant to the contract of January 1, 1932 (Exhibit D), and none of such matters since said date have been conducted by defendant. 73

(m) First Service Corporation makes periodic examinations of the various banks, except banks located in St. Paul and Minneapolis, Minnesota. Such examinations are made one or more times a year and include an appraisal of assets and a complete audit. Its examiners report to First Service Corporation and, wherever poor or doubtful paper is reported, First Service Corporation takes up such 74
questions direct with the bank concerned and makes recommendations in connection with such paper but does not give directions. At times it criticizes lines of credit granted by member banks and at times recommends reduction in lines of credit or loans, but such recommendations have not always been complied with. It occasionally makes recommendations as to loans contemplated by member banks but never requests any bank to make a loan. Daily reports of the larger loans made the previous 75
day, together with a statement of the borrower and a description of the collateral, are sent to First Service Corporation by the country member banks but such reports are not made by any of the St. Paul and Minneapolis, Minnesota, banks which First Service Corporation does not examine.

(n) First Service Corporation acts as the agent of certain banks in the handling and collection of charged off assets of such banks and did employ a collection attorney in connection with such charged

76 off assets, but First Service Corporation acts merely as agent of the banks to make such collections and the proceeds in each instance are delivered to the banks owning such items.

(o) First Service Corporation aids member banks in the organization of suitable credit departments and acts as the member banks' agent for the purchase and sale of bonds, securities and commercial paper. It makes recommendations with reference to selling and buying securities and furnishes statistical information concerning them. Se-
77 curities are bought and sold by member banks only upon the approval of their respective boards of directors, but the majority of such sales and purchases are also approved by First Service Corporation. The Twin City member banks act independently in the handling of their investments and securities but have the benefit of the statistical division of First Service Corporation. First Service Corporation keeps a list of all securities belonging to all member banks because it is furnishing them
78 with an investment service as above described and attempts to keep informed, give advice and make recommendations concerning such securities. First Service Corporation does not place any limit on the amount of securities purchased by a member bank but it does keep a record of them. First Service Corporation does not give orders or directions with respect to securities, but merely makes recommendations. It has never attempted to require any member bank to buy any specific or designated bond or bonds, and the officers and directors of

each bank in the final analysis determine what bonds are to be purchased or sold. 79

(p) First Service Corporation has built up credit files relating to firms and institutions which issue and sell commercial paper and advises member banks with reference to buying such paper but this advice is not always followed. It makes no recommendation as to the amount of commercial paper which a member bank should carry, but does offer advice as to what line of credit should be granted individuals.

(q) First Service Corporation does a certain 80
amount of planning of advertising for member banks. It makes suggestions as to interest rates to be charged by member banks but only a small proportion of the member banks have accepted such recommendations. First Service Corporation has recommended to member banks that they adopt float or service charges. It has never attempted to insist that member banks establish such charges but has repeatedly urged it. In a great many instances the recommendation has been rejected by 81
member banks.

(r) Loans made by member banks are reported to First Service Corporation only after they are made, except that in a very few instances in cases of large loans officers of member banks have consulted First Service Corporation as to whether such loans constitute the type of credit approved by it and have asked for the recommendation of First Service Corporation with respect thereto, but such practice is very rare.

82 7. The statutes and laws of the United States and of the various states of the United States, and particularly the laws and statutes of Montana, North Dakota and Minnesota, prohibit state and national banks from having an office outside the state of incorporation or of its principal office, subject such banks to regulation by the terms of the pertinent statutes and by a state department of banking and by the comptroller of the currency, in the case of national banks, and require and provide for frequent periodical examinations
83 of such banks. Such state and national banks cannot transact business outside of the state of incorporation and generally are not permitted to qualify to transact business in other states.

The business of banking is of a highly specialized character. It serves all business institutions and most individuals. The insolvency of a bank has more far-reaching and disastrous effect upon the members of the community in which it is located than the insolvency of almost any ordinary com-
84 mercial corporation. Substantially all of the deposits of the banks involved are from local sources and substantially all of their loans are made to local persons.

Dated June 4, 1935.

FRANK J. WILLIAMS,
Attorney for Plaintiff.

JUNELL, DRISCOLL, FLETCHER,
DORSEY & BARKER,
Attorneys for Defendant.

EXHIBIT A.

If You Neglect To Make A Return The Assessor Must Add 50 Per Cent

The tax upon money and credits amounts to 3 mills upon each dollar, or 30 cents upon each $100 of valuation. It is so light that every taxpayer can afford to be honest and make a true and full list of all money and credits owned by him or under his control.

Minnesota municipal bonds issued since April 18, 1911, real estate mortgages upon which a registry tax has been paid in Minnesota, and moneyed capital in the hands of individual citizens of this state coming into competition with the business of national banks are not to be included in this list.

Debts cannot be deducted from credits.

Please read the law on the reverse side of this blank.

List of Money and Credits

Owned by First Bank Stock Corporation of the City of Minneapolis,

Address Minneapolis, Minnesota, County of Hennepin,

State of Minnesota, on May 1st, 1934, as required by Sections 2337-2349, Mason's Minnesota Statutes of 1923.

	ITEMS	Owner's Valuation Dollars	Cents
88	1. Money subject to check and on deposit in banks, trust companies, or similar financial institutions, wherever situate.....	$ 154,342	18
	2. Money on deposit in banks, trust companies, postal and other savings banks, credit unions, or similar financial institutions, wherever the same are situate, and which is represented by certificates of deposit,		
89	cashiers' checks, or similar instruments	$1,525,500	00
	• • • • • • •		
	4. Promissory notes, bill of exchange, due bills, cream checks, and similar evidences of indebtedness	$ 353,424	62
	5. Bonds, except United States bonds and bonds issued by the State of Minnesota or any municipality thereof and such		
90	as are secured by real estate mortgages on which the mortgage registry tax has been paid in this state.....	$ 5,775	00
	• • • • • • •		
	10. Book accounts	$ 1,592	25
	• • • • • • •		
	Total	$2,040,634	05

State of Minnesota,
County of Hennepin. 91

I do solemnly swear that the foregoing list of money and credits owned by me or under my control subject to taxation for the year 1934, and the true and full value thereof as specified in the column headed "Owner's Valuation" is true and correct to the best of my knowledge and belief.

First Bank Stock Corporation
By A. E. Wilson

Subscribed and sworn to before me this 8th day 92
of June, A. D. 1934.

J. A. Hegerle

Assessor's Office
Telephone: Main 7341
235 City Hall—Minneapolis, Minn.
Edward S. Gould, City Assessor

Information to be furnished with return money and credits for taxation in the spaces below.

As a supplement to your return of money and 93
credits, it will be necessary to make an itemized listing of your stocks and bonds.

This office will make a separation of taxable and non-taxable investments when checked against your return on Form 22.

The information herein requested will be strictly confidential in accordance with the law.

Stocks

94 Stocks of affiliated companies

Stocks owned in corporations located in 9th Federal Reserve District, having no taxable situs in Minnesota and/or the property of which is assessed and taxed in Minnesota.

Bonds

Name of Investment	Par Value of Bonds	Value May 1st
Appalachian Gas Corpn 6-45..	20,000.	800.00
95 Pearl River Valley Lbr. Co. 6'.	5,000.	1,350.00
Carlos N. Boynton Land Co. 6-37	10,000.	–0–
Consol. Paper Corpn. 5½-61...	10,000.	2,200.00
Garrett Biblical Institute 5-¾.	9,500.	1,425.00
		$5,775.00

(If additional space is needed please attach separate sheet.)

96 First Bank Stock Corporation
Signed by A. E. Wilson, Secy-Treas.
Address Minneapolis, Minnesota

EXHIBIT B.

97

State Laws Imposing Ad Valorem Taxes On Shares Of Stock In Local State Banks Regardless Of Whether Or Not The Owner Resides In The State.

There are ten states which do not impose ad valorem taxes on bank shares:

Alabama
California
Idaho
Massachusetts
New York
Oklahoma
Utah
Vermont
Washington
Wisconsin

98

The statutes of Oregon still contain specific provisions relating to the taxation of bank shares which fall in class 4 below. Oregon Code, 1930, Section 69-2[illegible]2, et seq. However, Oregon now imposes an excise tax on all banks and such tax is "in lieu of all other taxes on the corporations herein mentioned" except real estate (Vol. III, Oregon Code, 1930, Section 69-1305). The Committee of Taxation of the National Bankers' Association reports that bank shares are not taxed as property (A Survey of Bank Taxation in the United States, Fifth Edition, January 2, 1935). Therefore, Oregon can be placed in the above list.

99

The tax provisions in Florida, New Hampshire,

100 and Rhode Island are somewhat peculiar, although as a practical matter it would not be very inaccurate to classify them with the remaining states.

The remaining thirty-four states levy an ad valorem tax on shares in local state banks, and such tax is imposed regardless of the residence of the owner. All of these statutes contain other provisions relating to the collection of this tax which make it clear that the tax is imposed upon all shares of residents as well as nonresidents. Often the bank is required to pay the tax just as if it
101 were its own tax obligation; if this is not so, the bank is required to furnish a list of its stockholders to the proper tax official, stating the names, number of shares and residences of each, and is subject to penalty if it fails to do so; it is also required to withhold dividends and refuse to transfer the stock upon its books until the tax is paid; a lien on the stock is created either for the benefit of the taxing unit or for the bank if it must pay.

These provisions provide the means by which
102 taxes against the stock of nonresidents can be easily collected and, in connection with the other provisions, clearly show that these statutes tax all of the stock of local state banks regardless of whether or not the owners reside in the state.

Following is a brief digest of the tax provisions of the states which impose ad valorem taxes on shares of stock in local state banks, including the questionable states of Florida, New Hampshire, and Rhode Island:

Arizona

Revised Code of 1928, Section 3069, as amended by Chapter 110, Laws of 1931. 103

The shares of stock of banks shall be assessed and taxed as other property in the names of the shareholders of the several shares thereof, but entered and taxed in the name of, and be payable by, the bank.

Section 3070. Upon demand of the assessor, an officer of the bank shall make out and deliver a sworn statement showing the number of shares, the name, and residence of each shareholder, and 104 the number of shares owned by him. Every such shareholder shall, where the bank is located, render to the assessor, at their full cash value, the shares owned by him, and if he fails to do so the assessor shall list and assess such unrendered shares as other unrendered property. "The taxes due thereon shall be paid by such corporation or association (bank), and shall be a lien against and assessed to such shares of stock, and no such corporation or association shall pay any dividends to 105 any shareholder who is in default in the payment of taxes due on his shares," nor shall it permit a transfer on the books until such tax is paid.

Section 3071. Every bank for the purpose of said assessment shall be considered as located in every local taxing unit where it carries on business. The shares of such bank shall be taxed in each local taxing unit for such proportion of their value as the assets situated in that unit bear to the entire assets of the bank.

Arkansas

106 Crawford & Moses Digest (1921)

Section 9948. Shares in banks that the holders or owners thereof are not required to list in person by the provisions of this Act shall be listed by the principal accounting officer of the bank showing the name or names of the persons owning and holding the same.

Section 9949. The taxes assessed upon the shares thus listed shall be paid by the bank and it may recover from the owner the amount thus paid, or
107 deduct the same from the dividend accruing on such shares, and the amount paid shall be a lien on such shares and shall be paid before a transfer of the stock can be made.

Colorado

Compiled Laws, 1921.

Section 7450. Shares of the capital stock of national banks doing business within the state "held by any person or body corporate, shall be included in the valuation of the personal property of such
108 person or body corporate, in the assessment of taxes in the county where such banking associations are located, and not elsewhere, whether the holder thereof resides there or not; and it shall be lawful for the state, county, town or municipal authorities to levy and assess upon such stock * * *."

Section 7451. The officer of every bank shall list with the assessor the name of each person owning shares and the amount owned by him. Such stock shall be assessed by the assessor in all respects the same as similar property belonging to other per-

sons. For the purpose of securing the collection of this tax, each bank shall be liable to pay the same as the agent of each of its shareholders, and the bank shall retain so much of any dividends as shall be necessary to pay any tax levied upon its shares. If the bank fails to comply with the provisions of this section it shall be liable for the tax upon all of the said shares. 109

Connecticut

General Statutes Revision of 1930.

Section 1272. An officer of each bank shall file in the office of the Tax Commission a report showing, inter alia, the names and residences of its stockholders and the number of shares held by each. Each bank shall pay to the Commissioner one per cent of the value of such shares. In Shippee v. Riverside Trust Company, 156 A. 43 (Conn. 1931), the Supreme Court of Connecticut had occasion to discuss this statute and there said that this tax was in substance one upon the property of shareholders whether they be residents of the state or not. 110 111

Delaware

Laws of 1921, Chapter 104.

Section 2. The shares of stock in banks whose principal places of business are in this state shall be taxed.

Section 4. An officer of the bank shall file with the State Bank Commissioner a report showing the name and residence of each of its shareholders and the number of shares held by each.

112 Section 6. When this stock is assessed, the Commissioner notifies the bank and it is the bank's duty to notify its stockholders.

Section 7. Shares shall be deemed and held to be taxed in the city or town where the principal place of business of the bank is located and not elsewhere. The tax so assessed against such stockholders shall be a lien upon their stock.

Section 8. If the bank chooses, it may elect to pay the tax thus assessed and if it does so it is not required to file the reports herein provided.

113 Section 10. Taxes thus imposed may be collected by public sale of the stock at the principal place of business of the bank. The Bank Commissioner shall also have the right to require any bank to withhold the payment of dividends or so much thereof as is necessary to pay the tax assessed upon his shares.

Florida

Compiled General Laws of Florida, 1927.

Section 907. "Taxation of stock; shares in
114 banks.—The owner or holder of stock in any incorporated company doing business under corporate name shall not be taxed for such stock; Provided, That such stock is returned for taxation by such incorporated company and taxes are paid thereon by such company, or the property of said corporation is assessed for taxes where located and taxes are then paid on such property. All shares of banking associations organized within this State, pursuant to the provisions of Congress to procure a national currency secured by a pledge of United

States stocks, and to provide for the circulation and redemption thereof held by any person or body corporate, shall be included in the valuation of the personal property of such person or body corporate, in the assessment of taxes in the town or city where such banking association is located and not elsewhere, whether the holder resides there or not; but not at a greater rate than is assessed on other moneyed capital in the hands of individuals; and for the purpose of securing the collection of taxes assessed upon said shares, each banking association shall pay the same as the agent of each of its shareholders, and the said association may retain so much of any dividend belonging to any shareholder as shall be necessary to pay any taxes levied upon its shares."

In Lewis State Bank v. Bridges, 156 S. 144, it was held that this statute did not require a state bank to return the shares of its stock for taxation and when it had not done so the bank could not be assessed for those shares. The Court said that, if the bank elected to return and pay the taxes on its stock in the hands of its stockholders, it did so as the agent of the stockholders and might retain the amount of taxes so paid from any dividend in favor of the stockholder. It would seem, therefore, that if the bank chooses to make the return the tax would, in effect, be applied to both resident and nonresident stockholders. If, however, the bank did not make such a return it would seem that only resident stockholders could be taxed since there is no special provision providing for the col-

118 lection of any tax against nonresidents. If such is the law, there is a discrimination against stock of national banks located in Florida.

Georgia

Georgia Political Code, 1926.

Section 993 (290). The shares of the stockholders in banks located in this state, whether the holders are residents or nonresidents, shall be taxed in the county where the bank is located and not elsewhere. The bank shall make the return of the
119 shares herein mentioned and pay the taxes herein provided.

Illinois

Smith-Hurd's Illinois Revised Statutes, 1933, Chapter 120.

Section 39. The stockholders of every bank located within this state shall be assessed and taxed upon the value of their shares of stock therein in the local taxing unit where the bank is located and not elsewhere "whether such stockholders reside in such place or not."

120 Section 40. Each bank shall keep a full and correct list of the names and residences of its stockholders and the number of shares held by each, which list shall be subject to the inspection of the assessing officers.

Section 41. The County Clerk shall enter the valuation of such shares in the tax lists in the names of the respective owners.

Section 42. The collector of taxes may collect the tax on such shares by a sale of the stock and

the tax shall remain a lien on such shares until payment is made. 121

Section 43. For the purpose of collecting such taxes, it shall be the duty of the bank to retain so much of any dividend or dividends as shall be necessary to pay the same, and if the bank fails to do so the officer responsible therefor shall be liable for the tax.

Indiana

Acts of 1933, Chapter 83.

Section 4. Shares of the capital stock of every bank, organized under the laws of this state or organized under the laws of Congress doing business here, shall be assessed to the respective owners of such shares in the local taxing unit where the bank is located. The tax assessed shall become a lien upon the respective shares. 122

Section 8. Every bank shall elect whether it shall pay the taxes thus imposed upon its stock.

Section 9. If it elects not to pay, it shall deliver to the County Auditor a report showing the names and addresses of its shareholders and the number of shares owned by each of them. 123

Section 12. If any bank has elected not to pay such taxes it shall be its duty to discharge the lien of such taxes upon such shares of stock by retaining so much of the dividends due or becoming due to the respective owners against whom such tax has been assessed as may be necessary to pay such tax. If the bank fails to do this it shall thereby become liable for such taxes.

Iowa

124 Code of Iowa, 1927.

Section 6998. Shares of stock of banks located in this state shall be assessed to the individual stockholders at the place where the bank is located.

Section 6999. The officers of the bank shall furnish the assessor with lists of all the stockholders and the number of shares owned by each.

Section 7007 a1. The banks shall be liable for the payment of such taxes assessed to their stock-
125 holders and such taxes shall be payable by the bank in the same manner and under the same penalties as in cases of taxes due from an individual taxpayer.

Section 7007 a2. Such banks may recover from each stockholder his proportion of the taxes so paid and shall have a lien on the stock and unpaid dividends therefor.

Section 7007 a3. If the unpaid dividends are insufficient, the bank may enforce its lien by a public sale of the stock.

126 Kansas

Revised Statutes of Kansas, 1923, Article 11.

Section 79-1101. Shares of stock issued by banks located in this state shall be assessed to the individual shareholders at the place where the particular bank is located. The officer of the bank shall furnish to the assessor the list of all shareholders and number of shares owned by each. The net assessment of all shares shall be divided among the shareholders proportionately and the bank

shall pay the tax assessed upon such shares and 127
shall have a lien thereon until the same is satisfied. Should the bank fail to pay the taxes levied upon its shares, the property of the individual shareholders shall be liable therefor.

Kentucky

Carroll's Kentucky Statutes, 1930.

Section 4092 (a). An annual tax is hereby imposed upon the shares of stock of all banks doing a business here and such tax shall be paid to the Sheriff of the county annually by such banks for 128
and on behalf of the owners of such shares of stock. Such taxes shall be for state purposes only and shall be in lieu of all other taxes upon said shares with the exceptions that counties, cities, and school districts may impose the tax upon such shares to a limited amount.

In United States of America v. John B. Lewis, United States District Court (W. D. Ky. April 8, 1935), Corporation Tax Service, Kentucky, page 2902, it was held that this statute imposes the tax 129
upon the owners of the shares instead of upon the banks themselves, and thus the Court reached the conclusion that preferred stock in national banks and state banks located in Kentucky, the legal title of which was held by Reconstruction Finance Corporation, was exempt under this statute as property of the United States.

Louisiana

Louisiana General Statutes, 1932, Title VIII, Chapter 8.

Section 684. Shares of stock of all banks doing business in this state are hereby declared subject to taxation.

Section 685. The shares shall be assessed at their actual value to the shareholders at the domicile or location of the bank regardless of the domicile of the shareholders. The bank shall furnish to the assessor a complete list of those who are carried on its books as shareholders. All taxes so assessed shall be paid by the bank and it shall be entitled to collect the amount thus paid from the shareholders.

Section 690. The taxes on such shares shall be collected in the same manner as the taxes on other property of a like nature are collected. If any Court holds that the bank is not liable to pay the taxes on its shares, the tax shall be collected from the shareholders and each shareholder failing to pay the same may be proceeded against by a rule to produce and by all the other proceedings provided for the collection of taxes on moveable property.

Maine

Revised Statutes of Maine, 1930, Chapter 12.

Section 76. An officer of every bank doing business in this state shall send to the state assessors a certified list of all stockholders, and their residences, showing the number of shares owned by each.

Section 77. The Board of Assessors shall assess an annual tax upon the true value of such shares. 133
All taxes so assessed shall be paid by the banks and they may charge the tax so paid pro rata to the individual stockholder.

Section 78. The tax so assessed upon shares owned by nonresidents shall be returned by the Treasurer of the State to the municipality in which the bank is located.

Maryland

Consolidated Laws of Maryland, 1924, Article 81.

Section 4 (6). All shares of stock in national 134
banks situated in this state shall be subject to assessment in the county and/or city where the holders thereof reside, or, if they be nonresidents, in the county and/or city in which the principal office of such bank is located.

Section 7. All shares of stock in a domestic corporation shall be subject to assessment in the county and/or city in which the owners respectively reside, or, in case the shares be owned by nonresidents of this state, in the county and/or city in 135
which the principal office of the corporation is situated.

Section 15 (e). Shares of stock so assessed shall be taxed to the several owners thereof and the taxes thereon shall be debts of such owners but may be collected in each case from the bank or other corporation which shall be bound to pay the same for the account of its stockholders but may obtain reimbursement therefor from the respective stockholders and may charge the same in reduction of

136 any amounts due to them as defendants or otherwise.

Michigan

Compiled Laws of 1929.

Section 3396, S. 8. All shares of banks which shall be doing business in this state under whatsoever authority shall be assessed and taxed as herein provided.

Section 3402, S. 14. All shares in such banks shall be assessed to their owners in the local taxing unit where the bank is located.

137 Section 3437. The assessor shall call upon the cashier of any bank and demand the payment of a tax upon its shares and thereupon it shall become the duty of the cashier to pay the same and charge the amount so paid against the shares of stocks so taxed.

Minnesota

Mason's Minnesota Statutes, 1927.

Section 2026-1. The stock of every bank in this state shall be assessed and taxed in the local tax-
138 ing unit where the bank is located, whether the stockholders of such bank reside in such place or not, and shall be assessed in the name of the bank. An officer of the bank shall list all of the shares for assessment in the same manner as other personal property is listed.

Section 2026-2. Every bank shall keep a list of the names and residences of the stockholders showing the amount of shares held by each, which list shall be open to the inspection of the taxing officer.

Section 2026-3. To secure the payment of the

taxes levied against the stockholders, every bank before declaring any dividend shall deduct from its annual earnings such amount as may be necessary to pay any taxes levied against its stockholders. 139

Mississippi

Mississippi Code, 1930.

Section 3138. The proper officer of each bank in this state existing by the laws of this state shall deliver to the assessor of taxes of the county in which it is located a statement giving the number and amount of all the shares of its capital stock 140 and the amount of undivided profits or surplus, and the value of such shares shall be the basis of the taxation of such shares to the bank, and the taxes levied on such bank shall be a first lien on its assets. In the case of national banks, a precisely similar amount shall be assessed and collected from the shareholders thereof at the domicile of the bank as would have been assessed upon and collected from the bank had it been created under the Laws of Mississippi, but each said bank shall 141 be liable to pay any taxes as agent of each shareholder and may charge the same to the shareholders' expense accounts.

Missouri

1932 Statutes Annotated, Title 59.

Section 9765. All shares of stock of incorporated banks shall be assessed at their actual cash value. The proper officer shall deliver to the assessor a list of all shares of stock held therein, to-

142 gether with the names of the persons holding the same.

Section 9766. The taxes assessed on such shares shall be paid by the corporation as agent of each of its shareholders and shall be a lien upon such shares, and the corporation may recover from the owner any amount so paid by it and deduct the same from dividends accruing on the stock. The amounts so paid shall be a lien upon the stock, which lien must be satisfied before the stock may be transferred upon the corporate books.

143

Montana

Revised Codes of Montana 1927 Supplement, Chapter 162.

Section 2067. All shares of the stock in any state bank doing business in this state shall be taxable to the owners of said shares in the local taxing unit where the bank is located and not elsewhere whether or not the owners are residents of such taxing unit. The proper officer of the bank

144 shall furnish to the assessor a list of the stockholders and the residences and number of shares held by each. For convenience, the assessment of such shares shall be entered on the assessment list under the name of the bank but the names of the true owners shall also appear. The bank shall be liable for payment of taxes against such shares and such taxes shall be payable and may be collected from the bank in the same manner and under the same penalties as other taxes. The bank may recover from the owners the taxes so paid and shall have

a lien therefor upon the shares and accrued dividends thereon. 145

Nebraska

Compiled Statutes, 1929.

Section 77-702. The proper officer of every bank shall make a statement showing the number of shares of its capital stock, the name and residence of each shareholder, the number of shares owned by each and the value of such shares, and shall deliver the statement to the proper county assessor. Such capital stock shall thereupon be listed and assessed by him, the same to be assessed and 146 collected in the taxing district where the principal place of business of such bank is located. The bank shall pay the taxes assessed upon its stock and shall have a lien thereon for the same.

Nevada

Compiled Laws, 1929.

Section 6572. All shares of stock in banks located within the state shall be assessed to the owners thereof in the local taxing unit where such banks are located and not elsewhere whether such owner 147 is a resident of the taxing unit or not.

Section 6575. The proper officer of every bank shall deliver to the assessor a list of the stockholders in such bank and the number of shares owned by each.

Section 6576. Every bank shall pay to the tax collector for the unit in which the bank is located the amount of the tax so assessed and if the tax is not paid the bank shall be liable for the same and

148 for equal penalties provided for by law in the collection of delinquent taxes upon other property.

Section 6577. The bank paying such tax shall have a lien on the shares and all the rights and property of the stockholders in the bank for the payment of said taxes.

New Hampshire

Public Laws New Hampshire, 1926.

(The first six sections of Chapter 70 provide for the taxation of shares in national banks in a manner generally similar to the tax statutes which
149 have been previously set forth.) Sections 8 and 9 impose an excise tax upon state banks for the privilege of doing business. This tax is at the rate of one-half of one per cent of the savings deposits and one per cent or the special deposits or capital stock. Section 13 provides that the revenue from such taxation shall be allocated proportionately to the local taxing units in which the shareholders reside. Section 16 of Chapter 121 as amended by Chapter 51 of the Laws of 1923 allocated the proportion of
150 this tax represented by the interest of nonresident stockholders to a state literary fund.

Chapter 60, Section 18, stock in corporations shall not be taxed except as otherwise specifically provided.

In view of these provisions, it seems that if any tax is imposed upon the stock of state banks in New Hampshire it is the tax provided for in Sections 8 and 9 of Chapter 70. These sections tax the interest of both resident and nonresident stockholders.

New Jersey

Cumulative Supplement to Compiled Statutes 151
1911-1924.

Section 208-200 a(1). The shares of the common stock of banks whose principal places of business are in this state shall be assessed according to their true value.

Section 208-500 a(3). The proper officer of every bank shall furnish to the local taxing official a statement showing the value of its shares, the residences of its stockholders, and the number of shares owned by each. 152

Section 208-500 a(7). The shares of common stock of every bank shall be assessed against the common shareholders in the taxing unit within which the principal place of business of such bank is located, and such tax shall be a lien upon the stock and such stock and such stock may be levied upon and sold in default of payment. It shall be the duty of the bank to pay the tax assessed against its shareholders on demand and the bank shall have a lien upon the shares for such payment and may 153 retain the amount so paid out of the dividends that may be declared on such shares.

New Mexico

New Mexico Statutes Annotated, 1929.

Section 141-504 (1). The stockholders of every bank in this state shall be assessed and taxed on the value of their shares in the local taxing unit where such bank is located, whether such stockholders reside in such place or not, and shall be

154 assessed in the name of the bank as the agent of the stockholders. The bank shall furnish a list of its capital stock and the names of its stockholders.

Section 141-504 (2). The bank shall keep a list of the names and residences of its stockholders, subject to the inspection of the state tax commission.

Section 141-504 (3). The bank shall, before declaring any dividend, deduct from its annual earnings such amount as may be necessary to pay any taxes thereafter to become due upon its shares,
155 and such bank shall pay the taxes.

North Carolina

North Carolina Code of 1931.

Section 7971 (59) (1). Every bank shall list all the shares of its capital stock whether held by residents or nonresidents.

Section 7971 (59) (2). The value of such shares as determined by the State Board of Assessment shall be certified to the county in which the bank
156 is located.

Section 7971 (59) (6). The taxes assessed upon said shares shall be paid by the proper officer of the bank in the same manner as other taxes, and in default thereof the officer and the bank shall be liable for such taxes and a ten per cent penalty. Any taxes so paid may be recovered with interest from the owners thereof by the bank and may be deducted from the dividends accruing upon such shares.

North Dakota

Compiled Laws of 1913. 157

Section 2115 (1). The shares of stock of every bank located in this state shall be assessed to the individual stockholders at the place where the bank is located and not elsewhere.

Section 2115 (2). The proper officer shall file a statement with the State Taxing Commissioner showing the number of shares of capital stock of such bank, the names and residences of the several stockholders and the amount owned by each.

Section 2117. To secure the payment of taxes 158
on bank stock, it shall be the duty of every bank to retain so much of any dividend belonging to any stockholder as shall be necessary to pay any taxes levied upon his shares, and the amount of such tax shall be a lien on the dividends, the capital stock, and the assets of the bank. Any officer who authorizes the paying of a dividend in violation thereof shall thereby become liable for such tax. If the tax is not paid, the County Treasurer where the bank is located shall sell the shares like 159
other personal property.

Ohio

General Code 1929.

Section 5408. All the shares of the stockholders in banks located in this state shall be listed, assessed, and taxed in the manner hereinafter provided.

Section 5410. Each bank shall keep a list of the names and residences of its stockholders, and the

160 number of shares owned by each, open to the inspection of the proper tax officials. The taxing commission shall assess all taxable shares in the name of the banks.

Pennsylvania

Purdon's Pennsylvania Statutes, 1931.

Cumulative 1934 Supplement, Title 72, Section 1931.

It shall be the duty of the department of revenue to assess the shares of bank stock at four mills on
161 their actual value. It shall be the bank's duty to collect said tax from its stockholders within sixty days of the assessment and pay the same to the State Treasurer.

Title 72, Section 1941. The taxes assessed under this Act shall be a lien upon the shares and the accruing dividends thereon.

Rhode Island

General Laws 1923, Chapter 60.

Section 5. The cashier of every bank shall fur-
162 nish to the assessors of the town where such bank is located a list of all the stockholders in such bank not residing within the state, together with the amount of stock held by each stockholder.

Section 9. The taxes which shall be assessed on shares in national banks held by persons not residing within this state shall be a lien upon said shares and upon the dividends thereon until all such taxes are paid and, until such payment, no transfers shall be allowed or dividends paid. "The assessors of the several towns and cities of the

state, whenever they shall assess a tax on the stock-
holders of any bank who are nonresidents of the 163
state, shall immediately notify said bank of such
assessments with the amount assessed to each of
its stockholders."

Chapter 59, Section 10, provides that personal property which shall be subject to taxation includes the stock in any bank which is not exempt from taxation by the laws of this state or of the United States.

From the above provisions, it is quite clear that
all of the stock of state banks in Rhode Island is 164
taxed regardless of the residence of the owners. The statute is peculiar, however, in that the first part of Section 9 which is the usual provision relating to the collection of such taxes only applies to national banks.

South Carolina

Constitution, Article X.

Section 5. All shares in banks located in this state shall be listed and taxed for municipal purposes in the local taxing unit where such bank is 165
located and not elsewhere.

Civil Code, 1932.

Section 2663. All shares of the stockholders in any bank located in this state shall be listed and taxed in the local taxing unit where the bank is located and not elsewhere.

Section 2665. The banks shall keep a list of the names and residences of its shareholders and the number of shares held by each open to the inspection of the proper tax official.

166 Section 2667. The auditor of the county in which the bank may be located shall enter the amount of each shareholder's stock in his name.

Section 2668. Any taxes assessed on such shares shall be a lien thereon and in case of nonpayment of such taxes it shall be unlawful for the proper officer of the bank to permit such shares to be transferred or to pay any dividends to the delinquent stockholders.

Section 2669. All banks shall pay to the collecting officer of the county in which they are located
167 all taxes that may be assessed upon their shares in the hands of their shareholders.

South Dakota

Compiled Laws, 1922.

Section 6696. The stockholders of every bank located in this state shall be assessed and taxed on the value of their shares in the local taxing unit where the bank is located and not elsewhere, whether such stockholders reside in such places or not.

168 Section 6697. Every bank shall furnish a list of the names and residences of its stockholders and the amount of shares owned by each to the proper tax official.

Section 6698. To secure the payment of such taxes it shall be the duty of every bank to retain so much of any dividends belonging to such stockholders as shall be necessary to pay the taxes levied upon their shares. If the tax is not paid, the County Treasurer may sell the shares like other personal property.

Tennessee

169 Code of Tennessee, 1932.

Section 1391. The shares of stock of stockholders of any bank doing business in this state shall be assessed as the personal property of the stockholders whether they reside within or without the state.

Section 1393. Such assessments shall be made in the local taxing unit in which the bank is located.

Section 1400. Every bank shall keep a list of the names and residences of its stockholders, and 170 the number of shares held by each, open to the inspection of the proper tax official.

Section 1401. The revenue collector may collect the taxes assessed on the shares of nonresident stockholders by attachment proceedings.

Section 1402. It shall be the duty of the bank to pay the taxes assessed on its stock and it shall have a lien for the purposes of reimbursement.

Texas

171 Compiled Texas Statutes, 1928, Article 7166.

The proper officer of every bank doing business in this state shall file with the Tax Assessor of the city or town in which it is located a list of the names and residences of its shareholders and the number of shares owned by each. Every shareholder shall render the shares owned by him to the tax assessor in the city or town where the bank is located and in case of failure to do so the assessor shall assess such unrendered shares as other un-

rendered property. The taxes due upon such shares
172 shall be a lien thereon and no bank shall pay any dividend to any shareholder who is in default nor permit a transfer upon its books of any share of such shareholder.

Virginia

Code of 1930, Appendix Tax Code.

Section 90. The shareholders in any bank doing business in this state shall be assessed and taxed on their shares of stock therein. Each bank shall file with the commissioner of revenue of the city or
173 town in which it is located a report giving the names and residences of its stockholders and the number of shares held by each.

Section 91. The commissioner shall assess upon each stockholder a tax at the rate of $1.00 on each $100 of the value of his stock. The tax assessed upon each stockholder shall be a first lien upon the stock standing in his name and upon the dividends due and to become due. The bank shall hold the dividends or other funds belonging to the stock-
174 holder and apply the same to the payment of the tax assessed.

Section 93. Every bank shall pay the taxes assessed against its stockholders.

Section 94. Should any bank fail to pay such tax, it shall be the county assessor's duty to levy upon the stockholder's stock and sell the same at public auction for cash. The bank shall cause the stock to be transferred to the purchaser at such sale.

West Virginia

West Virginia Code of 1931, Section 14. (Code of West Virginia 1932—Sec. 683.) 175

Shares of stock in banks shall be assessed to the holders in the local taxing unit where the bank is located and not elsewhere, whether the holders reside there or not. The taxes so assessed upon said shares shall be paid by the proper officer of the bank in the same manner and at the same time as other taxes are required to be paid. In default of such payment the officer and the bank shall be liable for such taxes, plus a ten per cent penalty. 176 Any taxes so paid may be recovered by the bank from the owners of the shares and may be deducted from the dividends accruing on such shares.

Wyoming

Revised Statutes, 1931.

Chapter 113-118. Shares of stock in all banks shall be assessed and taxed in the names of the respective shareholders by the city or county where such banks are located. The proper officer of the bank shall return to the assessor of said city or 177 county a list of the names of the shareholders and the amount held by each. Such bank shall pay the tax that is levied upon its shares and the payment so made shall be charged to and become a lien against the profits of the bank accruing to the shareholder.

178 EXHIBIT C.

States Which Impose Ad Valorem Taxes On Shares In Foreign State Banks Owned By Residents:

With the exception of Ohio, no state has any specific provision relating to the taxation of shares in foreign state banks owned by residents. The following states have statutes which (1) specifically tax stock in foreign corporations which pay no property or capital stock tax in the state, or (2) include such stock in their definitions of property which is subject to taxation.

179

Alabama

Alabama Code of 1928, Section 3021-3. (State v. Kidd, 28 S. 480 (1900). Shares of stock in foreign corporation owned by residents taxable.)

Arkansas

Crawford and Moses Digest, 1921, Sections 9853, 9890, 9894.

California

Political Code, 1931, Sections 3627, 3629-5.

180

Delaware

Revised Code, 1915, Chapter 44, Section 1098. (As a practical matter personal property is never taxed on an ad valorem basis in Delaware. Corporation Tax Service, Delaware, pages 2008, 2009, 2004; "A Survey of Bank Taxation in the United States"; report of Committee on Taxation of American Bankers' Association, January 2, 1935, page 33.)

Florida

Compiled Laws, 1927, 1934 Cumulative Supplement, Section 1041. 181

Georgia

Code of 1926, Section 1002 (1). (In Coco Cola Company v. City of Atlanta, 110 S. E. 730 (Ga. 1922), held shares of stock in foreign corporations owned by residents taxable in Georgia.)

Illinois

Smith-Hurd Statutes, 1933, Chapter 120, Section 1 second.

Chapter 120, Section 39, exempts stock owned by residents in foreign national banks. 182

Indiana

Burns Annotated Statutes, 1926, Sections 14034, 14035. Laws of 1933, Chapter 81, Section 1 (a). (Hasely v. Ensley, 82 N. E. 809 (Ind. App. 1907), held stock in foreign corporation owned by resident taxable.)

Iowa

Iowa Code of 1927, Sections 6953-7, 6985. (Judy v. Beckwith, 114 N. W. 565 (Ia. 1908). Shares in foreign corporation owned by resident taxable.) 183

Kansas

Revised Statutes, 1923, Sections 79-101, 79-102. (Weiss v. Stubblefield, 116 P. 205 (Kan. 1911). Stock in foreign corporation owned by resident taxable.)

Kentucky

Carroll's Kentucky Statutes, 1930, Sections 4020, 4088.

Maine

184 Revised Statutes, 1930, Chapter 13, Section 5.

Maryland

Consolidated Laws of Maryland, 1924, Article 81, Section 6 (5). (Shares in foreign national banks owned by residents not taxable.)

Michigan

Compiled Laws, 1929, Section 3396 S. 8, 9. (Shares in foreign national banks owned by residents not taxed.)

185 Minnesota

Mason's Minnesota Statutes, 1927, Sections 1999-1, 2337.

Mississippi

Mississippi Code of 1930, Section 1382. (Barnes v. Jones, 103 S. 773 (Miss. 1925). Shares of stock in foreign corporations owned by residents taxable.)

Montana

Political Code, 1921, Section 1996. (State ex rel. Rankin v. Harrington, 217 P. 681 (Mont. 1923).
186 Shares in foreign corporation owned by resident taxable in Montana unless they have acquired a business situs elsewhere.)

Nebraska

Compiled Statutes, 1929, Sections 77-106, 77-701, 77-710. (Bute, et al. v. Hamilton County, 202 N. W. 616 (Neb. 1925). Stock in foreign corporation owned by resident taxable.)

Nevada

187 Compiled Laws, 1929, Sections 6418, 6419, 6426.

North Dakota

Compiled Laws, 1913, Sections 2075, 2076. (As a practical matter no property tax is being levied against intangible property in North Dakota. Corporation Tax Service, North Dakota, page 2003; "A survey of Bank Taxation in the United States", report of Committee on Taxation of American Bankers' Association, Jan. 2, 1935, page 33.)

Oklahoma

188 Oklahoma Statutes, 1931, Sections 12338, 12589. (Oklahoma County v. Ryan, 232 P. 824 (Okla. 1924). Shares of stock in foreign corporation owned by resident taxable.)

Pennsylvania

Purdon's Pennsylvania Statutes, Annotated, 1931, Title 72, Section 4821.

Rhode Island

189 General Laws, 1923, Chapter 29, Section 10. Section 9 exempts shares in foreign national banks owned by residents.

South Carolina

Code of 1932, Sections 2566, 2604.

South Dakota

Compiled Laws, 1929. Section 6669 includes stock in all banks, except foreign national banks, as property subject to taxation.

In the following states, shares of stock in foreign

190 corporations owned by residents are exempt from ad valorem taxes, but the dividends therefrom are taxable under the income tax.

Massachusetts

Laws of Massachusetts Annotated, 1933.

Chapter 59, Section 5-27 as amended by Acts of 1931.

Chapter 426, Section 183, property, the income from which is taxed, is exempted from property taxes.

191 Chapter 62, Section 1(b) as amended by Acts of 1925, Chapter 343, Section 7, imposes an income tax on the dividends from stock in all corporations.

New Hampshire

Public Laws, 1926, Title 9, Chapter 60, Section 8. Stock in corporations not taxed.

Title 9, Chapter 65, Section 3, as amended by Chapter 184, Laws of 1933, imposes an income tax on the income from all intangibles.

New York

192 McKinney's Consolidated Laws, 1928, 1934 Supplement.

Book 59, Section 3, exempts personal property from taxation.

Book 59, Section 359-1, imposes an income tax on dividends from stock in all corporations.

North Carolina

1933 Supplement to North Caroline Code of 1931.

Section 7971 (19) exempts from personal prop-

erty taxation shares in foreign corporations, the income from which is taxable under Section 7880 (129). 193

Tennessee

Tennessee Code, 1932.

Section 1118, stock subject to income tax not subject to ad valorem tax.

Sections 1090, 1097, impose income tax on dividends from all stocks.

Utah

Revised Statutes, 1933.

Section 80-1-1 exempts intangible property from taxation. 194

Section 80-14-4 imposes an income tax on the dividends from all sources whatever.

Vermont

Public Laws, 1933, Chapter 41, Section 915, exempts from property taxation intangible property, the income from which is taxable.

Chapter 39 levies income tax on income from stock in corporations which are not subject to the Vermont Franchise Tax. 195

Virginia

Code of 1930, Appendix Tax Code. Chapter 7, Section 71, taxes income from all shares in corporations which do not pay a franchise tax in the state in lieu of all property taxes on such shares.

Washington

Remington's Revised Statutes, 1933, Section 11111-1 exempts shares of stock from ad valorem taxation.

196 Laws of 1935, House Bill No. 513, Sections 6(8), 9(a), imposes a tax on dividends from stock in corporations not paying a Washington income tax.

Wisconsin

Wisconsin Statutes, 1933, Section 70.11(10), exempts all stock from property tax.

Section 71.02(b) imposes income tax on all dividends from stock except (Section 71.04(4)) diyidends from stock in corporations paying Wisconsin income tax.

197 West Virginia

West Virginia Code, 1931, Chapter 11, Article 5, Section 1, provides that the shares of capital stock owned by residents in corporations located in other states, whose property is taxed in such other states, shall not be required to be listed for taxation.

Section 6 provides that, when the property, stock, or capital of any company is assessed to such company, no person owning any share therein shall be required to list the same or be assessed with the 198 valuation thereof.

Laws of 1935, House Bill 441, Section 21-4, includes dividends in income subject to taxation under the new income tax law.

Section 2 defines dividends as "any distributions made by corporations out of their earnings or profits to their shareholders."

Missouri

In State ex rel. Koel.. v. Lesser, 141 S. W. 888 (Missouri 1911), the Supreme Court of Missouri

interpreted their tax statutes as not imposing any tax upon the stock of any domestic or foreign corporation. Although the statutes have been slightly changed since then, the Missouri Tax Commission are of the opinion that this case is still the law in Missouri and have rendered a specific opinion in In the Assessors, Manuel 1931, No. 82, that shares of stock in foreign state banks owned by residents in Missouri are not subject to taxation. Corporation Tax Service, Missouri, page 315H. 199

Kansas City, however, imposes a tax upon all shares of stock in foreign corporations which are not taxed in that city. Kansas City Ordinance 1928, Chapter 13, Section 989. 200

Two states levy neither an income nor a property tax on stock in foreign banks owned by residents:

Ohio

Throckmorton's Code of 1929, Section 5328-1, specifically exempts from taxation nonwithdrawable shares in financial institutions located in other states. The Tax Commission has specifically ruled that under this section national and state bank stocks of states other than Ohio owned by residents are not subject to taxation in Ohio. Corporation Tax Service, Ohio, page 305-19. 201

New Jersey

Compiled Statutes, 1910, Section 208-66d(203)(c). Personal property owned by citizens of New Jersey, situate and being out of the state, upon which taxes shall have been assessed and paid with-

202 in twelve months, is exempt from taxation in New Jersey. In Trenton v. Standard Fire Insurance Company, 73 A. 606 (N. J. Law, 1909), the Court, interpreting this statute in the light of its history, held that it exempted from taxation all stock owned by New Jersey residents in foreign corporations paying taxes on their property where it was located.

EXHIBIT D.

203 Service Contract Between First Service Corporation and First Bank Stock Corporation

This Agreement Made this.....day of:....., 19.., between First Service Corporation, a Minnesota Corporation, first party, and First Bank Stock Corporation, a Delaware corporation, second party,

Witnesseth

Whereas, second party is the owner of a majority of the capital stock of various banks, trust companies and financial corporations located and
204 doing business in the Ninth Federal Reserve District, and

Whereas, first party is organized and equipped to examine and report upon the condition, business methods, management and operation of banks and financial corporations of the kind controlled by second party as aforesaid, and

Whereas, second party desires to avail itself of the services of first party for the purpose of protecting and preserving second party's interests on account of its ownership of the stock of said banks

and financial corporations and to enable it more intelligently to exercise its rights as such stockholder, 205

Now, Therefore, in consideration of the sum of ..... ($.....) per month to be paid by second party to first party on the first day of each calendar month in advance, for a period of one (1) year commencing....., 19..., first party covenants and agrees:

1. To make examinations from time to time of the books, records, condition, management and general business methods of all banks and other financial corporations in which second party has or shall have any interest as stockholder, and to render periodical reports of such examinations to second party. 206

2. To make similar examinations and reports as to any bank or other financial corporation in which second party is contemplating or may hereafter contemplate acquiring a stock interest, whenever requested so to do by second party.

3. To prepare the consolidated annual income tax return for second party and all corporations in which it owns a controlling interest, and to handle all of the income tax work generally of second party and its subsidiaries. 207

4. To handle all general and blanket insurance matters for second party and its subsidiaries. The premiums paid and actual out-of-pocket expense incurred in connection with this item shall be pro rated by first party to First Bank Stock Corpora-

208 tion and its subsidiaries, such pro rating to be made in the absolute discretion of first party, whose determination shall be binding upon all the parties in interest.

5. To handle all of the advertising and publicity work for the corporation and its subsidiaries. The actual out-of-pocket expense incurred by first party in connection with this item shall be pro rated to First Bank Stock Corporation and its subsidiaries, such pro rating to be made in the absolute discretion of first party, whose determination
209 shall be binding upon all the parties in interest.

6. To prepare forms for the use of second party in connection with its own corporate matters and bookkeeping, and to furnish supplies thereof, as requested, at reasonable prices to be determined by first party.

7. To attend to the purchasing of furniture, fixtures and equipment as and when requested by second party.

210 8. To render such other services and furnish such other information from time to time during the period of this contract as first party may be equipped to render, as requested by second party.

It is understood and agreed that first party may enter into contracts with the several banks and financial corporations in which second party has a stock interest for the purpose of rendering services direct to said banks and other financial corporations, and may receive compensation for such

services separate from and in addition to the compensation to be paid by second party hereunder. 211

The period of this agreement shall commence on ....., 19..., and may be renewed from year to year by mutual agreement between the parties and shall be considered as automatically renewed unless notice of termination shall be served by either party upon the other prior to December 15th of any calendar year in which the contract shall be in force.

In Witness Whereof the parties have executed this agreement as of the day and year first above written. 212

First Service Corporation

By .....

Vice President

Attest .....

Secretary

First Bank Stock Corporation

By .....

Vice President 213

Attest .....

Secretary

EXHIBIT E.

Service Contract Between First Service Corporation and Each Member Bank

This Agreement Made this.....day of....., 19..., by and between First Service Corporation, a Minnesota corporation, first party, and..... .....located or having its principal place of business at....., second party.

Witnesseth

In consideration of the compensation hereinafter specified, first party hereby agrees, for a period of one (1) year commencing....., 19.., to perform services for second party as follows:

1. To make periodical examinations of second party's records, accounts, management and methods of doing business and to make recommendations with regard thereto and furnish general advisory service in connection therewith.

2. To act as second party's agent for the purchase and sale of bonds, securities and commercial paper.

3. To furnish from time to time such credit reports as first party may have available relating to any concern or business in which second party may be interested.

4. To furnish second party from time to time with such statistical or other information of interest as first party may prepare or have available.

5. To install system or systems of accounting if requested so to do by second party.

6. To handle the writing or procuring of all insurance for second party in connection with the same service for First Bank Stock Corporation and its subsidiaries. The premiums paid and actual out-of-pocket expense incurred in connection with this item shall be pro rated by first party to First Bank Stock Corporation and its subsidiaries, including second party, such pro rating to be made in the absolute discretion of first party, whose determination shall be binding upon all the parties in interest. 217

7. To attend to all advertising and publicity work for second party except as second party may from time to time direct otherwise. The actual out-of-pocket expense incurred by first party in connection with this item shall be pro rated to First Bank Stock Corporation and its subsidiaries, including second party, such pro rating to be made in the absolute discretion of first party, whose determination shall be binding upon all the parties in interest. 218

8. To prepare standard forms for the use of other banks for which first party may perform services under contracts similar hereto, and furnish supplies thereof to second party, upon request, at reasonable prices to be determined by first party. 219

9. To attend to the purchasing of furniture, fixtures and equipment as and when requested by second party.

10. To handle from time to time such collections as second party may direct, payment for this

220 service to be in addition to the regular monthly compensation hereinafter specified and to be upon such terms as the parties may agree upon in each instance, or, in the absence of agreement, at the standard collection rates.

11. To handle income tax returns and all income tax work generally for second party.

12. To perform such other services of a similar nature from time to time during the period of this contract as first party is or may be equipped to
221 perform.

13. To so co-ordinate its services rendered to second party and all other banks and financial corporations for which first party may perform services under contracts similar hereto, that all may be mutually benefited thereby.

Second party agrees to pay to first party in consideration hereof the sum of.....Dollars ($.....) per month, payable on the first day of each calendar month in advance; provided, how-
222 ever, that said compensation may be altered by mutual agreement between the parties at the end of any three months period, but in the absence of such mutual agreement shall remain fixed at the sum herein specified for the period of the contract.

The period of this contract shall be one (1) year commencing....., 19..., but may be renewed from year to year by mutual agreement and shall be considered as automatically renewed unless a notice of termination shall be served by one party upon the other prior to December 15th

in any calendar year in which the contract shall be in force. 223

In Witness Whereof the parties have executed this agreement as of the day and year first above written.

First Service Corporation

By .....
Vice President

Attest .....
Secretary

..... 224

By .....
Vice President

Attest .....
Cashier

EXHIBIT F.

Section 2 of the Certificate of Incorporation of First Service Corporation provides as follows:

"2. The general nature of its business shall be 225 to do any or all of the things hereinafter mentioned, viz.:

"(a) To conduct researches into and investigations of any and all businesses and business methods and to disseminate the results of such researches and investigations and to give information and advice to banks, trust companies, financial and other corporations;

"(b) To furnish a statistical service of whatso-

226 ever nature for corporations, partnerships, and individuals;

"(c) To keep, examine, audit, analyze, report upon, and certify to the books, accounts and records of corporations, partnerships, and individuals, to install systems of accounting and to transact a general auditing and accounting business, all in such manner and to such extent as may be permitted by law;

"(d) To engage in the business of credit re-
227 porting, to collect and disseminate credit information, and to install credit systems;

"(e) To buy, sell, deal in, and do a general brokerage business in all kinds of listed and unlisted stocks, bonds, and other securities;

"(f) To act directly or indirectly as agent for insurance, indemnity, and surety companies in soliciting and receiving applications for insurance policies and indemnity and surety bonds of every
228 description, to collect premiums, and to do such other business as may be delegated to agents by such insurance, indemnity, and surety companies, and to conduct a general insurance and indemnity and surety bond agency and an insurance and indemnity and surety bond brokerage business;

"(g) To conduct the business of an agent in the collection, adjustment, compromise, and settlement of debts, demands, accounts, and claims of all kinds;

(h) To conduct a general advertising business, 229
both as principals and agents, including the preparation and arrangement of advertisements and the manufacture and construction of advertising devices and novelties, to erect, construct, purchase, lease, or otherwise acquire, fences, billboards, signboards, buildings, and other structures suitable for advertising purposes, to carry on the business of printers, publishers, painters, and decorators in connection with such advertising business, and to make and carry out contracts of every description in connection therewith; 230

(i) To examine into the assets, business and business prospects of corporations, partnerships, and individuals, and to make reports thereon and recommendations as to the value of any such business and the future prospects thereof;

(j) To appraise real estate, securities and other property and to report upon such appraisals;

(k) To furnish information and advice with reference to income and other taxes in such man- 231
ner and to such extent as may be permitted by law;

(l) To purchase, lease, manufacture, or otherwise acquire, hold, sell, exchange, transfer, repair, maintain, and in any other manner deal in and deal with office supplies and furniture and fixtures of every description;

(m) To purchase, lease, or otherwise take, hold, sell, exchange, transfer, repair, maintain, improve, mortgage, and in any other manner deal in and

232 deal with real property, mixed, and personal property wherever situated;

(n) To manage and operate as agent for corporations, partnerships, and individuals, farms, farm lands, and buildings and real estate of every description, rural or urban, wherever situated;

(o) To purchase or otherwise acquire, hold, use, sell, and in any manner dispose of and deal in patents, inventions, improvements, processes, copyrighted publications, trade-marks, trade names,
233 rights and licenses secured under letters patent, copyrights or otherwise, and to grant licenses or other rights therein."

(Title of Cause.)

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER FOR JUDGMENT.

The above entitled action having come duly on for trial before the undersigned judge of the District Court for the Fourth Judicial District, Frank
234 J. Williams appearing on behalf of the plaintiff and Messrs. Junell, Driscoll, Fletcher, Dorsey & Barker appearing on behalf of the defendant, and having been tried before the court without a jury as provided by law on June 5, 1935, no evidence being taken but a stipulation concerning facts having been filed, and the matter having been orally argued and briefs having been submitted, and the court having considered the stipulation concerning facts and the briefs and being advised in the premises does hereby make the following

Findings of Fact.

235

I.

First Bank Stock Corporation is a corporation organized under the laws of the State of Delaware, with its executive office in Minneapolis, Minnesota. During all times material, it has been and now is duly qualified to transact business in Minnesota. At all times material its domicile has been, and now is, in the State of Delaware and not elsewhere. It was organized for the purpose of acquiring and holding all or a majority of the stock of a number 236
of national and state banks located in the States of Minnesota, Michigan, North Dakota, South Dakota, and Montana, and shortly after its organization in 1929 it acquired such stocks. It also caused to be organized certain other banks, the capital stock of which it owns, and it holds certain other securities. Such stocks and other securities are held for investment only and are not dealt with or traded in by the defendant. The defendant never intended at any time that such state bank shares should acquire a situs in the State of Min- 237
nesota.

All of the policies of the defendant and its activities have been and are directed by the Board of Directors from its office in Minneapolis where its corporate seal has been at all times kept. All meetings of the stockholders, directors, and of the Executive Committee of the Board of Directors have been held in Minneapolis or St. Paul, Minnesota.

238 From about the beginning of 1930 until December 31, 1931, the defendant from its office in Minneapolis periodically examined and audited the banks in which it held stock, received reports of the operations of the banks, and advised the banks with reference to accounting practices, the making of loans, the purchase of securities and commercial paper, and at times furnished them with advertising material, and in a number of instances acted as agent of the banks in the purchase and sale of securities and commercial paper. Shortly prior to
239 January 1, 1932, the defendant caused to be organized a Minnesota corporation under the name of First Service Corporation, which is a wholly owned subsidiary. The defendant then entered into a contract with such subsidiary to perform all of the services, last above mentioned, for the banks in which the defendant owned stock. The principal office of this subsidiary is in Minneapolis, Minnesota.

The defendant has another wholly owned sub-
240 sidiary, First Minneapolis Company, a Minnesota corporation, whose principal activity is the liquidation of real estate acquired and later charged off by the First National Bank and Trust Company of Minneapolis. First Minneapolis Company is also engaged in the servicing of real estate held by member banks in trust for others and in some instances in the servicing of real estate held by individuals.

Since approximately January 1, 1932, the activities of the defendant have been strictly confined to

those of a corporation engaged merely in the holding of securities for investment. 241

II.

On May 1, 1934, First Bank Stock Corporation owned all of the shares (hereinafter referred to as state bank shares), except directors' qualifying shares, of the capital stock of certain state banking corporations organized and incorporated under the laws of Montana and North Dakota, to-wit:

Powder River County Bank, Broadus, Montana
Metals Bank & Trust Company, Butte, Montana 242
Chouteau County Bank, Fort Benton, Montana
Forsyth State Bank, Forsyth, Montana
Montana State Bank, Philipsburgh, Montana
The First State Bank, Shelby, Montana
The Northwestern Bank of Langdon, Langdon, N. D.

Benson County State Bank, Minnewaukan, N. D.

The property of said banks was not assessed or taxed in Minnesota for 1934 and none of said banks owned property situated therein in said year. Cer- 243 tificates representing the shares of the state banks were held by defendant for safekeeping during 1934 and on May 1, 1934, at its office in the city of Minneapolis, Hennepin County, Minnesota. The true and full value on May 1, 1934, of the state bank shares was one million twenty-seven thousand ninety-five and 95/100 dollars ($1,027,095.95).

III.

Pursuant to Sections 2337 to 2379, both inclu-

244 sive, Mason's Minnesota Statutes, 1927, and on or about June 8, 1934, defendant duly filed with the city assessor of Minneapolis, Hennepin County, Minnesota, a list of its moneys and credits owned by it on May 1, 1934. Said return showed an aggregate amount of taxable money and credits of two million, forty thousand, six hundred thirty-four and 05/100 dollars ($2,040,634.05), which did not include the value of the state bank shares. Thereafter, and on or about August 3, 1934, said city assessor, without the consent of defendant,
245 increased the amount of defendant's taxable money and credits aforesaid by adding thereto the true and full value aforesaid of said state bank shares. Assuming to act under and pursuant to said Sections 2337 to 2349, said city assessor thereby and thereafter threatened to subject the defendant on account of the ownership of said state bank shares to the annual tax of three (3) mills on each dollar of the true and full value thereof imposed by said Section 2337. Thereafter, a tax computed
246 under said Section 2337 of nine thousand two hundred three and 19/100 dollars ($9,203.19) was levied and assessed against defendant, of which three thousand eighty-one and 29/100 dollars ($3,081.29) was on the true and full value aforesaid of said state bank shares and for and on account of the ownership thereof by defendant on May 1, 1934. Said tax of nine thousand two hundred three and 19/100 dollars ($9,203.19) has not been paid and became delinquent on March 1, 1935.

IV.

247 Said state bank shares were assessed and taxed for the year 1934, the shares of Montana banks being assessed and taxed in Montana and the shares of North Dakota banks being assessed and taxed in North Dakota pursuant to statutes of said states. The taxes in respect of said shares levied and assessed in Montana and North Dakota have been paid and the amount of such taxes with reference to each of said state banks are as follows:

Name of Bank	Amount of Tax Assessed and Paid
Powder River County Bank, Broadus, Montana	$ 683.90
Metals Bank & Trust Company, Butte, Montana	25,432.07
Chonteau County Bank, Fort Benton, Montana	1,917.82
Forsyth State Bank, Forsyth, Montana	710.17
Montana State Bank, Philipsburgh, Montana	811.12
The First State Bank, Shelby, Montana	1,192.58
The Northwestern Bank of Langdon, Langdon, N. D.	159.72
Benson County State Bank, Minnewaukan, N. D.	309.30

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V.

250 By Chapter 64, Laws of Montana, 1927, it is provided as follows:

"Chapter 64.

"An Act to Amend Section 2067 of the Revised Codes of Montana of 1921, Relating to the Assessment and Taxation of State Banks, Banking Corporations and Private Bankers and of Shares of Stock in such State Banks or Banking Corporations and Providing for the Furnishing of Certain Information to County Officials by Bank Officials.

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"Be it enacted by the Legislative Assembly of the State of Montana:

"Section 1. That Section 2067 of the Revised Codes of Montana of 1921, be, and the same is hereby amended so as to read as follows:

"'Section 2067. Every state bank or banking corporation located and doing business in this State, and every private banker doing business in this State, shall be taxable upon the value of all real estate and personal property owned by such bank, banking corporation or private banker, and also upon the moneyed capital employed in such business, such moneyed capital to be ascertained as provided by Section 1999 of the Revised Codes of Montana of 1921, and the cashier or secretary of every such bank or banking corporation, and every such private banker, shall furnish to the assessor of the county in which its or

252

tures and equipment, shall be returned in the 265
name of the bank or trust company, and shall be assessed and taxed as other personal property is under this article. In determining the taxable value of the shares of stock of such corporation, the tax commissioner shall deduct the net amount of such corporation's investment in real estate and the net amount of its investment in taxed personal property from the aggregate amount of the capital stock, surplus and undivided profits, and the remainder shall be taken as the basis for valuation of 266
such shares of stock in the hands of the stockholders subject to the provisions of law requiring all property to be assessed at its true and full value, of such other provision of law as may be enacted at this or subsequent sessions of the legislature classifying such property for assessment purposes.

"To determine the amount which shall be considered as being invested in real estate, the tax commissioner shall deduct from the total 267
of such investment the amount of investments in real estate where the bank or loan and trust company has sold the real estate under contract whereby the purchaser agrees to pay the taxes assessed against such property.

"(4) Computation of value. The tax commissioner shall compute the total net taxable value of the capital stock of each bank or loan and trust company and shall assess such shares of capital stock and shall on or before the first

268 business day in July of each year certify such assessment to the county auditor of the county where such bank or loan and trust company is located.

"(5) Computation of net taxable value. The county auditor shall compute the net taxable value of each share of stock in any bank or loan and trust company and shall multiply such value by the number of shares held by each individual stockholder and enter such assessment against the individual stockholder; 269 provided that any solvent bank or loan and trust company may, upon written request of its cashier or other officer, have the amount of the assessment herein provided for against its stockholders assessed against the bank or loan and trust company in its corporate name and the taxes thereon may be paid as other expenses of the bank or loan and trust company are paid. The shares of capital stock in banks or loan and trust companies, not located in 270 this state, but owned in this state, shall not be required to be listed under this article.

"(6) Assessing all moneyed capital. All moneyed capital within the meaning of section fifty-two hundred nineteen (5219) of the Revised Statutes of the United States shall be listed and assessed against the owner thereof at his place of business, and if a corporation at its principal place of business, at the same rate as state, national bank, loan and trust company stock is taxed in the same taxing

his bank is located, within five days after de- 253
mand therefor, a statement verified by his oath showing all the resources and liabilities of such bank as disclosed by its books, at twelve o'clock noon on the first Monday of March in each year; if such cashier, secretary or private banker shall fail to make the statement hereby required, the assessor shall forthwith obtain such information from any other available source, and for this purpose he shall have access to the books of such bank, banking corporation or private banker. The assessor shall 254
thereupon make an assessment of the real estate and personal property owned by such bank, banking corporation or private banker, and of the moneyed capital employed in the business of such bank, banking corporation or private banker, which assessment shall be as fair and equitable as he may be able to make from the best information available, or said assessor may, for the purpose of said assessment, adopt the figures disclosed by any prior 255
report made by such bank, banking corporation or private banker to any State or Federal officer pursuant to any State or Federal law. Any person required by this section to make the statement hereinabove provided, who shall fail to furnish the same, shall be guilty of a misdemeanor and shall be punished accordingly.

"All shares of stock in any such bank or banking corporation shall be assessed at their

full cash value, except to the extent that that value is represented in property which is assessable and taxable to such bank or banking corporation in this State, and shall be taxable to the owners of such shares in the county, school district, city, town, or place where such bank or banking corporation is located and not elsewhere, whether or not the owners of such shares are residents of such county, school district, city, town or place. The cashier or secretary of any such bank or banking corporation shall furnish to the assessor, upon his demand therefor, the name of each stockholder with his residence and the number of shares belonging to him at twelve o'clock noon of the first Monday in March of each year; and if such cashier or secretary, for more than five days after such demand, shall fail to furnish such information, he shall be guilty of a misdemeanor and the assessor may obtain such information from any other available source, and for such purposes shall have access to the books of such bank or banking corporation. For convenience the assessment of such shares shall be entered on the personal property assessment list under the name of the bank or banking corporation concerned, but in the assessment list the names of the owners of such shares shall be set forth and the number of shares owned by each, and such assessment, when so entered, shall have all the force and effect as if made in the names of the owners

of such shares individually. The bank or banking corporation in which such shares are owned shall be liable for the payment of taxes assessed against such shares, and such taxes shall be payable by and may be collected from such bank or banking corporation in the same manner and under the same penalties as other taxes; provided that such bank or banking corporation may recover from such owners of shares any taxes so paid on such shares, and shall have a lien therefor upon such shares and upon any dividends accrued or to accrue thereon.' 259 260

"Section 2. This Act shall be in full force and effect from and after March 1, 1927.

Approved March 8, 1927."

By Section 2115, Supplement to the 1913 Compiled Laws of North Dakota, it is provided as follows:

"Sec. 2115. (1) Bank and trust company stock; where and at what valuation to be listed. The shares of stock of every bank and of every loan and trust company located in this state whether organized under the laws of this state or the United States or of any other state or country shall be assessed to the individual stockholders or owners thereof at the place where the bank or loan and trust company is located and not elsewhere. Such shares shall be listed and assessed to the owner thereof with reference to their value on the first day of April of each year and shall be taxed at 261

262 the same rate as other property in the same taxing district is taxed.

"(2) Determination of the value of shares of capital stock. On or before the first day of May in each year, the officers of each bank or loan and trust company located in this state shall file a statement with the state tax commissioner and with the county auditor of the county where located, verified by oath, showing the amount and number of shares of capital stock of such bank, loan and trust com-
263 pany, the names and residences of the several stockholders and the amount owned by each; the amount of the corporation's surplus or reserve fund and undivided profits as of April 1st preceding. The value of each share of stock in each bank, loan and trust company, except such as are in liquidation, shall be taken to be the par value thereof, together with its pro rata share of the accumulated surplus and undivided profits. The value of each share
264 of stock in each bank which is in liquidation, shall be taken to be its pro rata share of the actual value of the assets of such bank, or loan and trust company.

"(3) Deduction of real estate and personal property to arrive at taxable value of shares of stock. Real estate owned by any bank or loan and trust company shall be assessed and taxed as other real estate is under this article. Personal property of any bank, loan and trust company, except furniture, fix-

district, and at the actual value of the moneyed capital so invested or at such percentage of actual value as may be provided by law for assessment of bank, loan or trust company stock with similar deductions for investments in real estate and taxed personal property as are allowed by this act in arriving at the net taxable value of bank stock. The person or corporation using moneyed capital in competition with bank capital shall furnish the assessor upon demand a full and complete itemized, sworn statement showing the amount of moneyed capital so used. 271 272

"(7) Refusal to furnish list of stockholders; penalty. A refusal to furnish the tax commissioner or the county auditor with the list of stockholders and the information required under this act shall be deemed a misdemeanor and any bank or loan and trust company or any officer thereof so refusing shall be punished by a fine not exceeding five hundred dollars."

By Sections 2116 and 2117, Compiled Laws of North Dakota, 1913, it is provided as follows: 273

"Sec. 2116. Bank to keep and furnish list of stockholders. In every bank and banking office there shall be kept at all times a full and correct list of the names and residences of the stockholders, owners or parties interested therein, showing the number of shares and amount held, owned or controlled by each party in interest, which statement or list shall be subject to the inspection of the officer au-

274 thorized to assess property for taxation; and it shall be the duty of the accounting officer or cashier of each bank or banking institution to furnish the assessor with a duplicate copy of such statement, verified by oath, which shall be returned to the county auditor and filed in his office.

"Sec. 2117. Taxes on bank stock to be a lien on dividends. To secure the payment of taxes on bank stock or banking capital, it shall be the duty of every bank, or managing officer or
275 officers thereof, to retain so much of any dividend or dividends belonging to such stockholders or owners as shall be necessary to pay any taxes levied upon their shares of stock or interest respectively, and the amount of such taxes shall be a lien on the dividends, the capital stock and the assets of the bank, and until it shall be made to appear to the county treasurer or to such bank or its officers that such taxes have been paid, any officer, or any
276 such bank who shall pay over or authorize the paying over of any such dividend or a portion thereof, contrary to the provisions of this section, shall thereby become liable for such tax; and if the said tax shall not be paid, the county treasurer where said bank is located shall sell such shares or interest to pay the same, like other personal property; and in case of sale the provisions of law in regard to the transfer of stock when sold on execution shall apply to such sale."

Since the passage and approval of said laws and during all of 1934 the same have been and now are in full force in said states. 277

VI.

The statutes and laws of the United States and of the various states of the United States, and particularly the laws and statutes of Montana, North Dakota and Minnesota, prohibit state and national banks from having an office outside the state of incorporation or of its principal office, subject such banks to regulation by the terms of the pertinent 278 statutes and by a state department of banking and by the comptroller of the currency, in the case of national banks, and require and provide for frequent periodical examinations of such banks. Such state and national banks cannot transact business outside of the state of incorporation and generally are not permitted to qualify to transact business in other states.

The business of banking is of a highly specialized character. It serves all business institutions and most individuals. The insolvency of a bank has 279 more far-reaching and disastrous effect upon the members of the community in which it is located than the insolvency of almost any ordinary commercial corporation. Substantially all of the deposits of the banks involved are from local sources and substantially all of their loans are made to local persons.

VII.

Approximately three-fourths of the states of the

United States tax bank shares on an ad valorem basis and have done so for many years. Such states uniformly provide by statute that shares of stock in banks incorporated under the laws of such states are subject to tax only in the state in which the bank is located and not elsewhere. It was not the intention of the Legislature of the State of Minnesota in the enactment of laws for the taxation of shares of stock of corporations to impose any tax upon the shares of banks incorporated in other states.

The court from the above findings of fact hereby makes the following:

Conclusions of Law.

I.

That the state bank shares owned by the defendant are not subject to taxation by the State of Minnesota.

II.

That Sections 2337 to 2349, both inclusive, Mason's Minnesota Statutes, 1927, if construed to impose a tax on the state bank shares owned by the defendant, are void because such tax would constitute a taking of defendant's property without due process of law in violation of Article I, Section 7 of the Constitution of Minnesota and the Fourteenth Amendment to the Constitution of the United States and a denial to the defendant of the equal protection of the laws in violation of the Fourteenth Amendment to the Constitution of the United States.

III.

That the tax in the amount of nine thousand two hundred three and 19/100 dollars ($9,203.19) levied, assessed and extended against defendant as its money and credits tax liability for the year 1934 should be abated in the amount of three thousand eighty-one and 29/100 dollars ($3,081.29), and that all interest, penalties and costs should be abated. 283

Let judgment be entered accordingly.

Dated September 18, 1935.

By the Court: 284

W. W. BARDWELL,

20 day stay granted. Judge.

(Title of Cause.)

STIPULATION FOR SETTLED CASE.

It is hereby stipulated and agreed by and between the parties hereto, through their respective counsel, that the stipulation concerning facts filed herein at the time of the trial of this action, together with the exhibits attached thereto, contains 285 all the testimony received or offered at the trial of this cause, and that the same may be settled and allowed as the settled case herein.

FRANK J. WILLIAMS and
EDW. J. SHANNON,
Attorneys for the Plaintiff.

JUNELL, DRISCOLL, FLETCHER,
DORSEY & BARKER,
Attorneys for the Defendant.

286 ORDER SETTLING CASE.

I hereby certify that the stipulation concerning facts filed herein at the time of the trial of this cause, together with the exhibits attached thereto, have been examined by me and found conformable to the truth and to contain all the evidence offered or introduced at the trial of this cause, and all objections, rulings, exceptions and other proceedings of such trial, and I hereby settle and allow the same as the settled case herein.

287 Dated September 30, 1935.

W. W. BARDWELL,
Judge.

(Title of Cause.)

NOTICE OF MOTION FOR AMENDMENT OF FINDINGS OF FACT AND CONCLUSIONS OF LAW, OR IN CASE SAID MOTION IS DENIED, FOR A NEW TRIAL.

To the above named defendant and Messrs. Junell,
288 Driscoll, Fletcher, Dorsey & Barker, its attorneys:

You will please take notice: That the plaintiff in the above entitled action on the settled case and on all the files, records and proceedings herein will move the above named court at a special term thereof to be held in the court house in the city of Minneapolis, county of Hennepin, Minnesota, on the 12th day of October, 1935, at ten o'clock in the forenoon of said day, or as soon thereafter as counsel can be heard, for an order amending the

findings of fact and conclusions of law and order for judgment, heretofore made and filed herein, in the following particulars: 289

I.

That finding I of said findings of fact be stricken out and the following finding of facts substituted in lieu thereof:

"I.

First Bank Stock Corporation is a corporation organized under the laws of the State of Delaware, with its executive office in Minneapolis. During all times material, it has been and now is duly qualified to transact business in Minnesota. Shortly after its organization in 1929 it acquired all or a majority of the stock of a number of national and state banks located in the States of Minnesota, Michigan, North Dakota, South Dakota and Montana. It also caused to be organized certain other banks, the capital stock of which it owns, and it holds certain other securities. Such stocks and other securities are held for investment only and are not dealt with or traded in by the defendant. 290 291

All of the policies of the defendant and its activities have been and are directed by the Board of Directors from its office in Minneapolis where its corporate seal has been at all times kept. All meetings of the stockholders, directors and of the Executive Committee of the Board of Directors have been held in Min-

292 neapolis or St. Paul, Minnesota. The defendant keeps a complete set of books in which it records all of its transactions which are entirely separate from the books of any other corporation and which are kept at its office in Minneapolis, Minnesota.

From its directors' and executive offices in Minneapolis and St. Paul defendant has exercised a large measure of management and control of the several banks in which it owns a majority or more of stock in the following
293 particulars:

From about the beginning of 1930 until December 31, 1931, the defendant from its office in Minneapolis periodically examined and audited the banks in which it held stock, received reports of the operations of the banks, and advised the banks with reference to accounting practices, the making of loans, the purchase of securities and commercial paper, and at times furnished them with advertising
294 material, and in a number of instances acted as agent of the banks in the purchase and sale of securities and commercial paper. Shortly prior to January 1, 1932, the defendant caused to be organized a Minnesota corporation under the name of First Service Corporation, which is a wholly owned subsidiary. The defendant then entered into a contract with such subsidiary to perform all of the services, last above mentioned, for the banks in which the defendant owned stock. The principal office of this

subsidiary is in Minneapolis, Minnesota.

The defendant has another wholly owned subsidiary, First Minneapolis Company, a Minnesota corporation, whose principal activity is the liquidation of real estate acquired and later charged off by the First National Bank and Trust Company of Minneapolis. First Minneapolis Company is also engaged in the servicing of real estate held by member banks in trust for others and in some instances in the servicing of real estate held by individuals.

Since approximately January 1, 1932, the activities of the defendant have been strictly confined to those of a corporation engaged merely in the holding of securities for investment except as above set forth."

II.

That finding VII of said findings of fact be stricken out and the following finding of facts substituted in lieu thereof:

"VII.

Approximately three-fourths of the States of the United States tax bank shares on an ad valorem basis and have done so for many years. Such States uniformly provide by statute that shares of stock in banks incorporated under the laws of such States are subject to taxation only in the place where the bank is located and not elsewhere."

III.

298 That the conclusions of law be entirely stricken out and the following substituted in lieu thereof:

"Conclusions of Law.

I.

That the state bank shares owned by the defendant have a taxable situs in the State of Minnesota and are subject to taxation therein.

II.

That the plaintiff, the State of Minnesota,
299 is entitled to judgment against the defendant for the sum of Nine Thousand Two Hundred Three and 19/100 Dollars ($9,203.19) levied, assessed and extended against the defendant as its money and credits tax liability for the year 1934, together with all accrued penalties, interest and costs thereon."

In the event the foregoing motion is denied, defendant will move the court for a new trial herein.

Each of said motions will be made upon the following grounds, each of which is to be considered
300 as repeated herein, as the basis for each thereof: That the decision of the court, findings of fact and conclusions of law heretofore made and filed herein are not justified by the evidence and are contrary to law.

FRANK J. WILLIAMS and
EDW. J. SHANNON,
Attorneys for the Plaintiff,
402 Court House,
Minneapolis, Minn.

(Title of Cause.)

301

ORDER DENYING MOTIONS.

The above entitled cause being regularly on the special term calendar of this court came duly on for hearing before the undersigned, one of the judges of said court on a motion of the plaintiff for an order amending the findings of fact, conclusions of law and order for judgment, and in the alternative for a new trial.

Messrs. Frank J. Williams and Edward J. Shannon, assistant county attorneys appeared on 302
behalf of the plaintiff, and Messrs. Junell, Driscoll, Fletcher, Dorsey and Barker appeared on behalf of defendant. After hearing the arguments of counsel and being fully advised in the matter

It is ordered that said motions be and the same hereby are in all things denied.

Dated November 12, 1935.

By the Court:

W. W. BARDWELL,
Judge. 303

304 (Title of Cause.)

NOTICE OF APPEAL.

To Messrs. Junell, Driscoll, Fletcher, Dorsey and Barker, attorneys for the above named defendant, and to George H. Hemperley, clerk of the District Court:

You will please take notice that the above named plaintiff appeals to the Supreme Court of the State of Minnesota from the order of the District Court entered herein on the 16th day of November, 1935,
305 denying plaintiff's motion for an order amending the findings of fact, conclusions of law and order for judgment, and in the alternative, for a new trial and from the whole thereof.

Dated 20th day of November, 1935.

FRANK J. WILLIAMS and
EDWARD J. SHANNON,
Attorneys for Plaintiff.

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306 ADMISSION OF SERVICE.

Due service of the above notice of appeal admitted this 20th day of November, 1935.

JUNELL, DRISCOLL, FLETCHER,
DORSEY & BARKER,
Attorneys for the Defendant.
GEORGE H. HEMPERLEY,
Clerk of the District Court.

(Bond on appeal waived.)

[fol. 103] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

30836

1936

In the Matter of the Proceedings to Enforce Delinquent Money and Credits Taxes for 1934

STATE OF MINNESOTA, Appellant,

vs.

FIRST BANK STOCK CORPORATION, Respondent

ASSIGNMENTS OF ERROR OF APPELLANT, STATE OF MINNESOTA —Filed January 20, 1936

1. The Court erred in denying appellant's motion that finding I of the findings of fact be stricken out and the following finding substituted in lieu thereof:

"I

First Bank Stock Corporation is a corporation organized under the laws of the State of Delaware, with its executive office in Minneapolis. During all times material, it has been and now is duly qualified to transact business in Minnesota. Shortly after its organization in 1929 it acquired all or a majority of the stock of a number of national and state banks located in the States of Minnesota, Michigan, North Dakota, South Dakota and Montana. It also caused to be organized certain other banks, the capital stock of which it owns, and it holds certain other securities. Such stocks and other securities are held for investment only and are not dealt with or traded in by the defendant.

All of the policies of the defendant and its activities have been and are directed by the Board of Directors from its office in Minneapolis where its corporate seal has been [fol. 104] at all times kept. All meetings of the stockholders, directors and of the Executive Committee of the Board of Directors have been held in Minneapolis or St. Paul, Minnesota. The defendant keeps a complete set of books in which it records all of its transactions which are entirely separate from the books of any other corporation and which are kept at its office in Minneapolis, Minnesota.

From its directors' and executive offices in Minneapolis and St. Paul defendant has exercised a large measure of management and control of the several banks in which it owns a majority or more of stock in the following particulars:

From about the beginning of 1930 until December 31, 1931, the defendant from its office in Minneapolis periodically examined and audited the banks in which it held stock, received reports of the operations of the banks, and advised the banks with reference to accounting practices, the making of loans, the purchase of securities and commercial paper, and at times furnished them with advertising material, and in a number of instances acted as agent of the banks in the purchase and sale of securities and commercial paper. Shortly prior to January 1, 1932, the defendant caused to be organized a Minnesota corporation under the name of First Service Corporation, which is a wholly owned subsidiary. The defendant then entered into a contract with such subsidiary to perform all of the services, last above mentioned, for the banks in which the defendant owned stock. The principal office of this subsidiary is in Minneapolis, Minnesota.

The defendant has another wholly owned subsidiary. First Minneapolis Company, a Minnesota corporation, whose principal activity is the liquidation of real estate acquired and later charged off by the First National Bank and Trust Company of Minneapolis. First Minneapolis Company is also engaged in the servicing of real estate held by member banks in trust for others and in some instances in the servicing of real estate held by individuals. [fol. 105] Since approximately January 1, 1932, the activities of the defendant have been strictly confined to those of a corporation engaged merely in the holding of securities for investment except as above set forth."

2. The Court erred in denying appellant's motion that finding VII of the findings of fact be stricken out and the following finding substituted in lieu thereof:

"VII

Approximately three-fourths of the States of the United States tax bank shares on an ad valorem basis and have done so for many years. Such States uniformly provide by statute that shares of stock in banks incorporated under

the laws of such States are subject to taxation only in the place where the bank is located and not elsewhere."

3. The Court erred in denying appellant's motion that the conclusions of law be entirely stricken out and the following substituted in lieu thereof:

"Conclusions of Law

I

That the state bank shares owned by the defendant have a taxable situs in the State of Minnesota and are subject to taxation therein.

II

That the plaintiff, the State of Minnesota, is entitled to judgment against the defendant for the sum of Nine Thousand Two Hundred Three and 19/100 Dollars ($9,203.19) levied, assessed and extended against the defendant as its with all accrued penalties, interest and costs thereon."
money and credits tax liability for the year 1934, together

4. The Court erred in denying appellant's motion for a new trial.

5. The decision of the Court is not justified by the evidence and is contrary to law.

[fol. 106] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

Hennepin County

Stone, J.

No. 132

30836

In re Proceedings to Enforce Delinquent Money and Credits Taxes for 1934.

STATE OF MINNESOTA, Appellant,

vs.

FIRST BANK STOCK CORPORATION, Respondent

SYLLABUS

1. Shares in the stock of corporations are contract rights and, as such, choses in action.

2. In respect to shares in foreign corporations, owned here by an inhabitant of this state, the stock certificates being in its possession here, the owner is taxable in Minnesota as for credits, under the Money and Credits Tax Law, Mason Minn. St. 1927, §§ 2337 to 2349.

3. Defendant owns here all or a majority of the stock in numerous state banks in other states. Thereby it has the control of and manages all such banks, together with numerous national banks. Its property and business, as a unit, are located in, and managed from Minnesota. Held, that defendant's bank stocks have a business situs here and that their taxation locally is not a denial of due process, even as to stocks in state banks in other states which are also taxed by the domiciliary states.

Reversed.

OPINION—Filed June 19, 1936

STONE, Justice:

First Bank Stock Corporation, to which we shall refer as defendant, prevailed below in this proceeding to enforce [fol. 107] delinquent money and credits taxes for 1934. The state appeals from an order denying its alternative motion for amended findings or a new trial.

Defendant is a Delaware corporation domiciled in this state, with its principal office here. It owns all or a majority of the stock in about 84 national and state banks in the Ninth Federal Reserve District. These are its subsidiaries, managed by it from its principal office in Minneapolis. Their stocks are not held by defendant merely for investment. They are not dealt in or traded but were acquired and are owned for the purpose of giving defendant plenary control over the banks. The subsidiaries are colloquially and politically characterized as "chain banks." They are managed, supervised, and periodically examined by defendant. It selects all their officers and dictates all their policies. Another subsidiary corporation or two are mentioned in evidence and argument, but there is nothing about them to change the essential facts concerning defendant's ownership and use of its bank stocks.

Whatever may be said of its properties separately considered, defendant's business is a very important economic unit, which, as to headquarters and management, is localized in Minnesota, wherein also are many banks, both state

and national, which it controls through stock ownership. Its corporate seal is kept at its Minneapolis office. All meetings of its stockholders, board of directors, and executive committee are held in Minneapolis or St. Paul. The certificates for its stocks in subsidiary banks are all kept at the Minneapolis office. Defendant regularly returns for taxation all its taxable money and credits, other than the stocks in state banks of other states. As to the latter, it denies that Minnesota has the power to tax them or itself as owner of them.

Presently involved are the stocks of six Montana and two North Dakota state banks. (The case is unembarrassed by any problem peculiar to the taxation of shares in national banks.) Defendant owns, as it does in most cases, all their stock, except qualifying shares in the ownership [fol. 108] of the few directors and officers necessarily resident at the domicile of each bank. Even such shares are held by the owners subject to an option in defendant to repurchase at will.

Each bank in Montana and North Dakota, together with its tangible property, is subject to taxation, and is taxed, by the domiciliary state. So also are their stock shares, even when held by non-residents.* Defendant's position, sustained below, is that again to tax the shares in the possession and ownership of defendant in Minnesota, or to tax it as the owner thereof, would be not only double taxation, but also a denial of due process of law in violation of Article 1, Section 7, of the Constitution of Minnesota, and the Due Process Clause of Section 1 of the Fourteenth Amendment of the Constitution of the United States.

We are now dealing with a property, and not an excise tax. Hicken v. Board of Education, 153 Minn. 120, 189

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* In Montana, the tax on both state banks and their shares is imposed and its collection provided for by Revised Codes of Montana, 1927 Supplement, § 2067; and in North Dakota, under Compiled Laws of North Dakota, 1913, (& 1925 Supplement,) §§ 215 (1) to 2117. The shares as such as well as the corporation are taxed and, as to the tax on the stock, the corporation is made liable for payment. Minnesota taxes in similar fashion "the stock of every bank and mortgage loan company" organized under its laws. Mason Minn. St. 1927, § 2026-1 to § 2029.

N. W. 709. In this state, "money and credits" are taxed under Mason Minn. St. 1927 §§ 2337-49 at a special and low rate of 3 mills on each dollar of fair cash value and are [fol. 109] exempt from other local taxation. Under § 2348, they become a part of the personal property tax of the owner with a resulting liability in personam. Needless to say, it was not intended that any money or credits (not within the express exceptions of the statute)* owned by inhabitants of this state should escape.

Defendant in its corporate person is within its jurisdiction and subject to the state's taxing power. The argument against local taxation is put upon the nature of the property and the fact that it is subject to taxation in other states. In order properly to appraise that argument, the nature of the involved property, corporate shares, must not be overlooked. That they are personal property and, as such, subject to tax laws has long been settled law.

[fol. 110] 1. Shares are "mere contract rights, or in technical language, choses in action." 1 Morawetz, Private Corporations, § 225. Hawley v. Malden, 232 U. S. 1, 58 L. ed. 477, 482. The distinction must be observed between the shares in the abstract which are intangible, "and the certificates which represent these rights." The latter "are something more. They are constantly treated as tangible property in commercial transactions and, by reason of their negotiable character, are in fact tangible property of great value, just as negotiable notes and bills are." 1 Morawetz, Private Corporations, § 226.

2. If the shares in question are not taxable to defendant locally, they would not be so in the hands of another owner even though he were an individual rather than a corpora-

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* One of those exceptions is of "moneyed capital in the hands of individual citizens of this state coming into competition with the business of national banks." Mason Minn. St. 1927, § 2337. Whether the case is affected by that exception we have no occasion to and do not consider. It was added by amendment in 1923 (L. 1923, c. 102) and so was not in effect in 1921 and 1922, money and credits taxes for which years were the subject of decision in State v. First National Bank of St. Paul, 164 Minn. 235, 204 N. W. 874, 205 N. W. 375.

tion. If, in respect to his ownership of foreign bank shares, the owner cannot be subjected to taxation here, he might enjoy a similar immunity from contributing to the maintenance of government and its services in Minnesota in respect to his shares in all foreign corporations. The jurisdiction of Minnesota to tax at all is challenged, and the supporting argument must rest, finally, not so much upon the fact of taxation in other states as on their supposed exclusive power to tax, whether exercised or not, and in the supposed lack of power in Minnesota to tax at all.

Defendant's allegation of denial of due process, is made untenable by Hawley v. Malden, 232 U. S. 1, 58 L. ed. 477. The question there was whether the taxation of shares of stock, owned by a resident of Massachusetts, in a foreign corporation, which did no business and had no property in that state, was a denial of due process. It was decided in the negative.

Even at the time of that decision, the power it sustained had been exercised without question by most, if not all, of the states from their earliest days. Its constitutionality, [fol. 111] as observed by the supreme court, had been sustained by the repeated and numerous state decisions cited. The distinction was drawn between the property of the shareholders in their shares and that of the corporation itself. The former "may be separately taxed." The numerous decisions, which were followed, sustained the power and were ruled by "the view that the shares are personal property and, having no situs elsewhere, are taxable by the state at the owner's domicile, whether the corporation be foreign or domestic." The argument that the shares were "taxable solely in the state of incorporation" was rejected and the power of the state of the owner's domicile to tax was sustained.

Upon the question of situs we shall have more to say later, but in Hawley v. Malden, supra, the court said:

"When we are dealing with the intangible interest of the shareholder, there is manifestly no question of physical situs, so far as this distinct property right is concerned, and the jurisdiction to tax it is not dependent upon the location of the lands and chattels of the corporation."

Further, in respect to corporate shares, the court held that, as choses in action such shares "in the absence of leg-

islation prescribing a different rule • • • are appropriately related to the person of the owner, and, being held by him at his domicile, constitute property with respect to which he is under obligation to contribute to the support of the government whose protection he enjoys."

Upon the authority of Hawley v. Malden, and deciding the question strictly as one of federal constitutional law, we hold that the taxation in Minnesota as attempted under our money and credits tax law, of the involved stocks in the Montana and North Dakota banking corporations, is not a denial of due process. Bristol v. Washington County, 177 U. S. 133, 44 L. ed. 701, 20 S. Ct. 585; New Orleans v. Stempel, 175 U. S. 309, 44 L. ed. 174, 20 S. Ct. 110; Metropolitan Life Ins. Co. v. New Orleans, 205 U. S. 395, 51 L. ed. 853, 27 S. Ct. 499.

[fol. 112] 3. The argument against application of the rule of Hawley v. Malden, supra, is that "only one state can constitutionally impose a property tax upon intangibles and as to shares of state banks such a tax may be imposed only by the state of incorporation and not by the state of domicile [of the owner of the shares,] or business situs." That proposition is put upon the authority of the more recent inheritance tax cases, (overruling Blackstone v. Miller, 188 U. S. 189, 47 L. ed. 439, 23 S. Ct. 277, and the other decisions approving it), to-wit: Farmers Loan & Trust Co. v. Minnesota, 280 U. S. 204, 74 L. ed. 371, 50 S. Ct. 98; Baldwin v. Missouri, 281 U. S. 586, 74 L. ed. 1056, 50 S. Ct. 436; Beidler v. South Carolina Tax Commission, 282 U. S. 1, 75 L. ed. 131, 51 Sup. Ct. 54; First National Bank v. Maine, 284 U. S. 312, 76 L. ed. 313, 52 S. Ct. 174.

Inheritance taxes are excises and not levies on property. They are fixed on an event, the transfer which takes place on, and by reason of, death. The conclusion is simply that, in as much as the tax is not upon the property transferred, but rather and only an excise upon the event which transfers it, the only state having the power to make the levy is the one, and there can be but one, wherein the event, the transfer on death of the owner, takes place.

Even as to inheritance and succession taxes, the recent and controlling cases are explicitly limited so as not to apply where the property, the transfer of which is sought to be taxed, has an actual or "business situs" elsewhere than in the state of the owner's domicile. In Farmers Loan

and Trust Co. v. Minnesota, supra, first declaring the new rule, it was emphasized that none of the property, municipal bonds, "had any connection with business carried on by or for the decedent in Minnesota." (74 L. ed. 373.)

If stocks can ever have an actual or "business situs" in a state other than that of the corporation itself, there is such a situs of defendant's shares in Minnesota. "It is difficult [fol. 113] to conceive how property could be more completely localized." See De Ganay v. Lederer, 250 U. S. 376, 63 L. ed. 1042, where the "localized" securities were in the possession and management of an agent in the United States for a non-resident alien owner. We stress again the real distinction between the incorporeal rights evidenced by the stock certificates, and the stock certificates themselves, the former being intangible and the latter tangible and dealt with as such. Compare First Trust Company of St. Paul v. Matheson, 187 Minn. 468, 246 N. W. 1, holding that bonds payable to bearer are so far tangibles as to be properly subject to an action quasi in rem here. Under the rule of that case, and the others therein cited, particularly Hamilton v. Brown, 161 U. S. 256, 40 L. ed. 691, 16 S. Ct. 585, there seems to be no question that, if the stocks in question were owned by an individual resident of Minnesota, and he should die here, intestate and without heirs, Minnesota jurisdiction would be the only one capable of adjudging the escheat of the certificates and the property rights thereby evidenced.

There is another and important feature of this case, not present in the inheritance tax cases.

It is that the stocks of the eight Montana and North Dakota state banks, upon which this state seeks to levy a money and credits tax, have, by reason of their ownership and use by defendant, with the stocks in seventy-six other banks, an importance in use and value, local in nature, which they would not possess if the stock in each of defendant's subsidiary banks were considered in isolation as a unit by itself. The stocks in defendant's subsidiaries, themselves numerous and scattered widely through the Ninth Federal Reserve District, have been amalgamated into a super banking and economic unit in defendant's ownership and control. Thereby, there has arisen a new power over the banking activities and interests of a large and important area. Whatever the increment of value resulting there-

[fol. 114] from, it is undeniable that together they make a new unit of highly important and valuable property, integrated and with a situs here or nowhere.

The maxim mobilia sequuntur personam must apply to such a property or it has become a mere museum piece of ancient law. If Minnesota cannot tax the whole, it will not be taxed elsewhere except to the extent that fractions of it are separately taxed in the states wherein defendant's subsidiaries are incorporated. That process cannot touch the larger and new unit of business and value owned and operated by defendant in Minnesota. The local owner of the increment of worth added by the amalgamation will by so much escape taxation if we sustain the argument for defendant. That would not be double taxation, which defendant opposes, but an escape from taxation, which no one advocates, however much he wants it. Inherent in any theory calculated to permit large values to escape their just share of the burden of government is its own refutation.

The established local business situs of defendant's bank stocks and their unitary use here in a new integer of business and property furnish all the basis needed to support the challenged tax, for which we hold defendant liable. Like State v. Pittsburgh Plate Glass Company, 147 Minn. 339, 180 N. W. 108, the recent case of Wheeling Steel Corporation v. Fox, et al., — U. S. — (Opinion filed May 18, 1936) applies to a concrete issue the idea of a "business situs" of intangibles of a corporation outside its home state. Sustained was the claim of West Virginia "that the accounts receivable and bank deposits • • • had acquired a taxable situs" in that state, although the corporation was chartered in Delaware. "The constitutional authority of West Virginia to tax" said the court, "cannot be denied upon the ground that they [the intangibles in question] are taxable solely in Delaware. The question is whether they should be deemed to be localized in West Virginia." The decisive answer was in the affirmative. Its factual basis, summarized, was that the credits sought to be taxed in West Virginia had been created and were managed and liqui- [fol. 115] dated there as part of the business of the owner localized there.

The bank stocks presently considered were not created here, but they are owned here. More important is the fact that they are here an integrated part, and the main one,

of a distinctly localized unit of business, property and value.

Exploring further defendant's argument anent double taxation, one answer is that there is no constitutional prohibition of duplicate taxation. There is a difference between twice taxing the same event which can happen in but one state, and twice taxing the same property, once in respect to an interest, or quality, or susceptibility, especially related to one jurisdiction, and again in respect to another as clearly related to the second taxing power.

The present trend of our law is against multiple state taxation of intangibles. If "the employment of the due process clause of the Fourteenth Amendment to eliminate the multi-state taxation of intangible personalty" (Rottschaefer, State Jurisdiction to Impose Taxes, 42 Yale Law Journal 305 (307)) is to continue and evolve into a symmetrical plan barring such taxation, there must be a reexamination, and probably an end of the present practice of states taxing the shares of their corporations in the ownership of non-residents. Such levies, extra-territorial in practical effect, are an anomaly if not in fact ultra vires.

The bonds of a corporation, owned and held by non-residents at their domiciles in other states, are beyond the taxing power of the chartering state. Cleveland, Painesville & Ashtabula R. R. Co. v. Pennsylvania, 82 U. S. (15 Wall.) 300, 21 L. ed. 179. The location of the taxable interest in a chose in action should not be made to depend on any mere fiction or phrasing of an idea. The stubborn and determinative actuality is that the "right has no locality independent of the party in whom it resides." He, and he [fol. 116] alone, may give it a situs for taxation other than his own. Bristol v. Washington County, 177 U. S. 133, 44 L. ed. 701, Metropolitan Life Insurance Co. v. New Orleans, 205 U. S. 395, 51 L. ed. 853.

Stock shares no less than corporate bonds are choses in action attended by obligations of the corporation to the owners of them. Stock certificates evidence those duties as truly as do bonds the promise to pay principal and interest. In both, the corporation is the obligor, the holders the obligees. As to corporate bonds, the chartering state cannot tax them when owned beyond its own boundaries. It cannot give them a situs for taxation apart from the domicile of the owner.

How are stock and stock certificates so different that state power may do for and with them what it cannot do for and

with bonds? If it cannot by a mere legislative assertion localize the bonds for taxation, upon what theory—under what formula—may it localize the stock for the same purpose? Even if realism be frankly discarded and fictions avowedly made the media of reasoning, it is apparent that any allowable fiction that fits either bonds or stocks is equally apt for the other.

The power of the domiciliary state to subject non-resident owners of corporate stock to taxation rests upon its supposed power (sustained in Corry v. Baltimore, 196 U. S. 466, 49 L. ed. 566), in creating the corporation, to fix "the situs" of *all* its stock, wherever owned, for purposes of taxation. If it may so establish one situs, why may it not be made the only one?

If the domiciliary states have the power, by taxing the shares in their corporations, to exclude all taxation thereof by other states wherein the owners reside, why may they not do so by exempting such shares from all taxation? Suppose, for example, that Montana and North Dakota instead of taxing bank stocks, taxed only the corporations as such and expressly had declared that the shares should be exempt. It is a question of the reach of sovereign power, [fol. 117] and, whatever sovereign power may do by affirmation, it should be able to accomplish by equally significant negation.

If the home state may fix a situs for property taxation, why may it not do the same for excises? Why may it not declare that it shall be the only state to tax the transfer of stock on the death of even non-resident owners? That it cannot do so now seems to be established. It has never been suggested that the home state could declare itself the only one to take by escheat the shares of non-resident owners dying intestate and without heirs. Equally beyond the scope of legal thought, is the idea that a state may so monopolize the situs of stocks as to declare that, wherever owned, they will descend, on the death of the owner, under its own law and no other.

The domiciliary state of a corporation, of course, may tax it as a corporation. The company and its local property of all sorts are taxable in the home state. But, if that state may tax also the special property of non-residents in their shares, it is by so much taxing property and persons beyond its jurisdiction. In such case, the home state

is in fact taxing beyond its boundaries unless the foreign holders of the shares have no property therein which they can carry with them anywhere, for any purpose, beyond the territory of that state.

But, it may be rejoined, a state upon enfranchising a corporation may condition as it wishes all corporate activities and all use and ownership of its shares. So it may if there are no limits to its power. Let it be supposed there are none as to the corporation itself, which is made a legal person by and of the state of incorporation. But what of shareholders in other states? The domiciliary state cannot tax them in personam, in respect to and on their separate interests, unless it may so condition the issue of shares by the corporation. It may condition issue, transfer and ownership of shares within constitutional limits. But, is it not going beyond its jurisdiction by im- [fol. 118] posing a condition which is intended to operate, and in practice can operate, only on subjects, property and its owners, in other states?

How far may a state condition a corporation it enfranchises and the stock and stockholders therein? It may limit powers and confine their exercise to its own domain. But if it permits its corporation to go into other states, corporate action in the latter will be governed by local law. The original, domiciliary limitation of its power is congenital and inescapable. But in other respects a corporation does escape the laws of its home state whenever it becomes domiciled in another. For the home state by the act of incorporation to attempt to permit its corporations to go into others and there to deny their jurisdiction, as by resisting otherwise appropriate taxation, would be plainly ultra vires.

Suppose, for example, a state says to its corporations: "You must pay a tax on all your tangible property wherever owned; subject to that condition, go into another state and do business there." Suppose the corporation does so and acquires tangible property in another state and keeps it there, its actual physical situs and use there and there only. It cannot escape taxation there. Must it pay also at home? Obviously not. Either a state must keep its corporations at home, or, permitting them to roam into other states, must acknowledge for the laws of the latter their full reach to and effect upon all proper subjects. If

the state of incorporation cannot so condition its corporations going into other states, how may it impose similar conditions upon stockholders and their property beyond its own jurisdiction?

The recent cases prevent multi-state inheritance taxation, not because of its multiplication, but because only of the territorial limitation which prevents one state from taxing an event, such as a property transfer, which transpires beyond its own boundaries and within those, and by virtue of the laws, of another state. In that new light, the principle of Corry v. Baltimore, supra, may need reexam- [fol. 119] ination. It is not, to say the least, a symmetrical system of preventing multiple state taxation of the same economic interest, which bars such assessment of a transfer of stock and yet permits it as to the stock itself. The asymmetry results from the inclusion in the tax structure of permission to a state, in organizing a corporation, to resort to an expedient of condition or regulation which in fact projects its own jurisdiction to property and persons beyond its boundaries.

The power of the domiciliary state to tax the shares of a corporation, even when owned by non-residents, is based upon its authority "to determine the basis of organization and the liabilities of shareholders." Illustrative is the "dominant power" of Congress in the exercise of which as to national banks it "has fixed the places at which alone shares in those institutions may be taxed." Hawley v. Malden, supra, (58 L. ed. 483).

There is a vital difference between congressional power as to national banks, "dominant" in all the states and competent to fix for all the states the status of any national bank (and its shares) in all of them, and the power of a state, which can reach into no other as to anything.

The argument that state taxation of foreign held shares rests upon contract also falls short of its mark. Liberty of contract does not permit a resident of Minnesota to bargain himself or his property into exemption from Minnesota jurisdiction. Such a contract would be void as against public policy. So also would be one between the state itself and a non-resident expressly subjecting to taxation here property having a situs at the owner's domicile and subject to taxation there. How, then, can a state, if it attempts to do so even by a corporate charter, effectually

contract that it may tax persons or property beyond its jurisdiction? Certainly any contract so attempting to vest in a state an extra-territorial taxing power would fall under the condemnation of illegality.

[fol. 120] It all comes back to a question of the reach of a state's sovereign power of taxation. If it may fix for taxation, as decided in Corry v. Baltimore, supra, the situs of all stock in all its corporations, there is an end to the matter. The question stands so decided. It is not for us to determine otherwise. What we have said on the subject is intended only to stress some additional obstacles in the way of denying Minnesota's power to tax defendant's stock in the banks of other states.

State banks, we do not forget, are not wanderers from their home states. They are not authorized to do business elsewhere. But their stocks are not and cannot well be kept at home. That they cannot be taxed there when owned by non-residents, we do not attempt to decide. Neither do we suggest that as matter of present law, they cannot, or should not, be subjected to taxation both in the chartering state and also in that of the non-resident owner. We conclude only that, when owned and used in Minnesota, as defendant owns and uses those now in question, they are subject to taxation by Minnesota.

The order under review must be reversed with directions to amend the findings of fact and conclusions of law in accordance with the views expressed in this decision and to order judgment for the state.

So ordered.

Stone, J.

[fol. 121] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

[Title omitted]

OPINION ON PETITION FOR REHEARING—Filed October 9, 1936

STONE, Justice:

The petition of respondent First Bank Stock Corporation for a rehearing is denied. But in order to insure that certain unfounded fears thereby expressed shall not be shared by others, we append the following:

While we noted for what it was worth the distinction between stock certificates and the incorporeal property of

which they are the evidence, we did not mean even to suggest that two distinct properties are being taxed,—that the domiciliary states, Montana and North Dakota, are taxing the shares while Minnesota was attempting to reach only the certificates. We agree with counsel that "double taxation is not thus to be explained away." Our view is that if Montana and North Dakota may and do tax the shares in question, there is double taxation of the same property or interest if Minnesota also has the power to and does tax the shares.

Nor did we mean to suggest that the respondent, through the plenary character of its control of its subsidiary banks and the use it makes thereof, is going "beyond that which is proper on the part of a majority stockholder." We do regard as unimportant the fact that much of the supervision formerly exercised by respondent directly has been taken [fol. 122] over by its wholly owned subsidiary the "First Service Corporation."

It may not be necessary to add more to make plain our realization that the judgment of this court does not settle the matter. Deliberately we have tried to throw the question into bold relief. It may be necessary, as counsel suggest, to "overrule" either Corry v. Baltimore, 196 U. S. 466, 49 L. ed. 566, or Hawley v. The City of Malden, 232 U. S. 1, 58 L. ed. 477. But the choice between them, if one must be made, is for the tribunal whose judgments are supreme in the field of federal constitutional law. There also must be answered "the question expressly left undecided" in Hawley v. The City of Malden, supra, whether the chartering state may monopolize the right to tax the shares of its corporations wherever owned, by declaring that its domain shall be the exclusive situs for such taxation.

Stone, J.

[fol. 123] IN SUPREME COURT OF MINNESOTA

In the Matter of the Proceedings to Enforce Delinquent Money and Credits Taxes for 1934

No. 30836

STATE OF MINNESOTA, Appellant,

vs.

FIRST BANK STOCK CORPORATION, Respondent

JUDGMENT—Filed October 20, 1936

Pursuant to an order of Court heretofore duly made and entered in this cause it is determined and adjudged that the order of the Court below, herein appealed from, to-wit, of the District Court within and for the County of Hennepin be and the same hereby is in all things reversed with directions to amend the findings of fact and conclusions of law in accordance with the views expressed in the decision, and to order judgment for the State. (A certified copy of the opinion filed herein is attached hereto.)

And it is further determined and adjudged that appellant herein, do have and recover of respondent herein, the sum and amount of One Hundred Thirty-three and 90/100 Dollars, ($133.90) costs and disbursements in this cause in this Court, and that execution may be issued for the enforcement thereof.

Dated and signed Oct. 20, 1936.

By the Court.

Attest:

Russell O. Gunderson, Clerk.

[File endorsement omitted.]

Clerk's certificate to foregoing paper omitted in printing.

[fol. 124] IN SUPREME COURT OF MINNESOTA

MANDATE

THE STATE OF MINNESOTA:

To the Honorable Judge and Officers of the District Court within and for the County of Hennepin, Greeting:

Whereas, Lately in your Court, in an action therein pending, entitled In the Matter of the Proceedings to Enforce

Delinquent Money and Credits Taxes for 1934. State of Minnesota, Plaintiff and First Bank Stock Corporation, Defendant, a certain order was entered therein November 16, 1935, from which action of your Court an appeal thereafter was taken to this Court;

And Whereas, The said cause came on to be heard before our Supreme Court, and was argued by counsel;

On Consideration Whereof, It is now here ordered and adjudged by this Court that the order of the Court below herein appealed from, be, and the same hereby is, in all things reversed with directions to amend the findings of fact and conclusions of law in accordance with the views expressed in the decision, and order judgment for the State; (a certified copy of the opinion filed herein is attached hereto) and that judgment be entered accordingly. A copy of the entry of judgment thereupon in this Court is herewith transmitted and made part of this Remittitur.

Now Therefore, This Mandate is to you directed and certified, to inform you of these proceedings had in our Supreme Court, in said hereinbefore mentioned cause, and the same is hereby and herewith Remanded to your Court for such other or further record and proceedings therein as may be by law necessary, just and proper, under and by virtue of the said order herein made.

Witness, The Honorable John P. Devaney, Chief Justice of the Supreme Court aforesaid, and the seal of said Court at St. Paul, this October 20, 1936.

Russell O. Gunderson, Clerk of the Supreme Court,
By —— ——, Deputy.

[fol. 125] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

[Title omitted]

PETITION FOR APPEAL—Filed December 17, 1936

To the Honorable John P. Devaney, Chief Justice of the Supreme Court of the State of Minnesota:

First Bank Stock Corporation, your petitioner, respectfully shows:

1. Petitioner is the respondent in this Court in the above entitled cause.

2. The appeal in said cause was from an order entered November 12, 1935, by the District Court of Hennepin County, Minnesota, denying appellant's motion for an order amending the Findings of Fact, Conclusions of Law and Order for Judgment and, in the alternative, for a new trial.

3. On appeal from said order to the Supreme Court of the State of Minnesota, said Court being the court of last resort in the State of Minnesota in such cases, the order under review was reversed on October 20, 1936, "with directions to amend the findings of fact and conclusions of law in accordance with the views expressed in this decision and to order judgment for the state."

4. Said directions of the State of Minnesota appear to constitute a final judgment of said Supreme Court, within the meaning of Section 237 of the Judicial Code, as amended (U. S. C. Title 28, Sec. 344). Rio Grande Western Railway Company v. Stringham (1915), 239 U. S. 44. There is error [fols. 126-130] in said final judgment in this cause in said Supreme Court of the State of Minnesota, whereby petitioner is aggrieved, in that in the decision and judgment of said Court there was drawn in question the validity of a statute of the State of Minnesota, namely, Section 2337 of Mason's Minnesota Statutes of 1927, on the ground of its being repugnant to and violative of the due process of law and equal protection of the laws clauses of the Fourteenth Amendment to the Constitution of the United States, and the decision and judgment of said Court were in favor of the validity of said statute.

The errors upon which your petitioner claims to be entitled to an appeal are more fully set out in the Assignments of Error presented herewith.

Wherefore, petitioner respectfully prays for the allowance of an appeal from said Supreme Court of the State of Minnesota to the Supreme Court of the United States in order that the decision and judgment of the Supreme Court of the State of Minnesota may be examined and reversed, and further prays that a transcript of the record, proceedings and papers in this cause, duly authenticated by the Clerk of the Supreme Court of the State of Minnesota, may be sent to the Supreme Court of the United States, as provided by law.

Dated this 15th day of December, 1936.

Junell, Driscoll, Fletcher, Dorsey & Barker, A. McC. Washburn, Attorneys for Petitioner-Respondent.

[fol. 131] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

[Title omitted]

ASSIGNMENTS OF ERROR—Filed December 17, 1936

First Bank Stock Corporation, as appellant to the Supreme Court of the United States from the judgment heretofore entered herein by the Supreme Court of the State of Minnesota, assigns the following errors in the record and proceedings in this case:

I

The Supreme Court of the State of Minnesota erred in holding and deciding that the taxation, under the provisions of Section 2337 of Mason's Minnesota Statutes of 1927, by the State of Minnesota of shares of stock owned by respondent, First Bank Stock Corporation in banks organized under the laws of Montana and North Dakota was not the taxation of property having a situs without the State of Minnesota and was not a taking of First Bank Stock Corporation's property without due process of law, in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

[fol. 132] II

The Supreme Court of the State of Minnesota erred in holding and deciding that the taxation, under the provisions of Section 2337 of Mason's Minnesota Statutes of 1927, by the State of Minnesota of shares of stock owned by respondent, First Bank Stock Corporation, in banks organized under the laws of Montana and North Dakota was not a denial to First Bank Stock Corporation of the equal protection of the laws, in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

III

The Supreme Court of the State of Minnesota erred in holding and deciding that the simultaneous imposition of property taxes by more than one state upon the same property of the respondent, First Bank Stock Corporation, is not a deprival of First Bank Stock Corporation's property without due process of law, in violation of the provisions of

the Fourteenth Amendment to the Constitution of the United States.

IV

The Supreme Court of the State of Minnesota erred in holding and deciding that where the state of incorporation of a bank imposes a tax upon its shares, regardless of the residence of the owner thereof, a tax upon those shares by another state is not a taking of property without due process of law and is not a denial of the equal protection of the laws, in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

V

The Supreme Court of the State of Minnesota erred in holding and deciding that the situs of shares of stock owned [fol. 133] by respondent, First Bank Stock Corporation, on May 1, 1934, in state banks of Montana and North Dakota was in Minnesota and that the State of Minnesota had power to assess and levy a property tax upon said shares.

VI

The Supreme Court of the State of Minnesota erred in holding and deciding that shares of stock in a bank organized and existing under the laws of a state of the United States are subject to property taxation imposed by a state other than the state under whose laws the bank is organized.

VII

The Supreme Court of the State of Minnesota erred in not holding and deciding that the domicile of respondent, First Bank Stock Corporation, on May 1, 1934, was in the State of Delaware and not elsewhere.

VIII

The Supreme Court of the State of Minnesota erred in reversing the order of the District Court and in rendering judgment for the State of Minnesota and against respondent First Bank Stock Corporation.

For which errors First Bank Stock Corporation prays that the judgment of the Supreme Court of the State of Minnesota, dated October 20, 1936, in the above entitled

cause, be reviewed on appeal to the Supreme Court of the United States; that the judgment of the Supreme Court of the State of Minnesota be reversed; and that judgment be rendered abating said money and credits tax in the amount of Three Thousand Eighty-one and 29/100 Dollars ($3,081.29) and all interest, penalties, and costs.

Dated December 15th, 1936.

Junell, Driscoll, Fletcher, Dorsey & Barker, A. McC. Washburn, Attorneys for Respondent.

[fols. 134-142] [File endorsement omitted]

IN SUPREME COURT OF MINNESOTA

[Title omitted]

ORDER ALLOWING APPEAL—Filed December 17, 1936

The petition of First Bank Stock Corporation for an appeal in the above cause to the Supreme Court of the United States from the Supreme Court of the State of Minnesota, and the Assignments of Error filed therewith and the record of said cause having been considered, it is:

Ordered That an appeal be and is hereby allowed to the Supreme Court of the United States from the Supreme Court of the State of Minnesota, as prayed in said petition, and that the Clerk of the Supreme Court of the State of Minnesota prepare and certify a transcript of the record and proceedings in said cause and transmit the same to the Supreme Court of the United States within thirty (30) days from the date hereof.

It is Further Ordered That First Bank Stock Corporation give good and sufficient surety for costs on appeal in the sum of Five Hundred Dollars ($500.00).

The said petitioner, First Bank Stock Corporation, now presenting a bond in the sum of Five Hundred Dollars ($500.00), with good and sufficient surety, it is

Ordered that said bond be and is hereby approved.

Dated at St. Paul, Minnesota, this 15th day of Dec., 1936.

John P. Devaney, Chief Justice of the Supreme Court of the State of Minnesota.

[fol. 143] Clerk's certificate to foregoing transcript omitted in printing.

[fol. 144] SUPREME COURT OF THE UNITED STATES

APPELLANT'S STATEMENT OF POINTS ON WHICH IT INTENDS TO RELY AND DESIGNATION OF PARTS OF THE RECORD TO BE PRINTED—Filed January 12, 1937

Comes now the appellant in the above entitled cause and states that the points upon which it intends to rely in this Court for reversal of the judgment of the Supreme Court of the State of Minnesota are as follows:

1. The invalidity, under the due process of law and equal protection of the laws clauses of the Fourteenth Amendment to the Constitution of the United States, of the application of Section 2337 of Mason's Minnesota Statutes of 1927 to shares of stock owned by appellant in state banks of Montana and North Dakota.

2. Error in holding that the simultaneous imposition by more than one state of property taxes upon the same property of appellant is not a deprival of appellant's property without due process of law, in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

3. Error in holding that where the state of incorporation of a bank imposes a tax upon its shares, regardless of the residence of the owner thereof, a tax upon those shares by another state is not a taking of property without due process of law and is not a denial of the equal protection of the laws, in violation of the provisions of the Fourteenth Amendment to the Constitution of the United States.

[fols. 145-146] 4. Error in holding that the situs of shares of stock owned by appellant on May 1, 1934, in state banks of Montana and North Dakota was in Minnesota and that the State of Minnesota had power to assess and levy a property tax upon said shares.

5. Error in holding that shares of stock in a bank organized and existing under the laws of a state of the United States are subject to property taxation imposed by a state other than the state under whose laws the bank is organized.

6. Error in not holding that the domicile of appellant on May 1, 1934, was in the State of Delaware and not elsewhere.

7. Error in rendering judgment reversing the order of the District Court denying the motion of the State of Minnesota for amended Findings of Fact and Conclusions of Law and, in the alternative, for a new trial.

Appellant further represents that the whole of the record, as filed, with the exception of the bond, citation upon this appeal, and the praecipe, is necessary for the consideration of the case.

However, being advised that, in view of the fact that this appeal and the appeal in No. 648 are in the same case, it is permissible to have the records of both appeals printed under one cover, and in view of the Stipulation filed herewith entered into by the parties hereto by their respective counsel of record, appellant respectfully requests that the entire record in this appeal be printed in full and that all of that part of the record in the appeal in No. 648, commencing after page 124 of said original record, whereon appears the mandate of the Supreme Court of the State of Minnesota, and continuing to the end of said record be printed preceded by a notation in substantially the following form:

"Note.—The preceding portion of the record in appeal No. 648 is identical with that part of the record in appeal No. 647, commencing from the beginning and continuing to and including page 124 of said original record, whereon appears the mandate of the Supreme Court of the State of Minnesota, dated October 20, 1936. It is therefore omitted in printing."

Respectfully submitted, Leland W. [copy illegible], Joseph H. Colman. A. McC. Washburn.

Service of the foregoing statement and designation is hereby admitted this 4 day of January, 1937.

William S. Erwin, [copy illegible], Frank J. Williams, Attorney for Respondent.

[fol. 147] [File endorsement omitted.]

Endorsed on cover: File No. 41,187. Minnesota Supreme Court. Term No. 647. First Bank Stock Corporation, Appellant, vs. State of Minnesota. Filed January 12, 1937. Term No. 647, O. T., 1936.